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SESSION 1926-27
HOUSE OF COMMONS

SELECT STANDING COMMITTEE ON
RAILWAYS, CANALS AND TELEGRAPH LINES

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TORONTO

Bill No. 78—An Act Respecting the Montreal, Ottawa and
Georgian Bay Canal Company

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2—WEDNESDAY, APRIL 6, 1927

WITNESSES:

Mr. Winfield Sifton

Mr. J. A. Ritchie, counsel, Montreal, Ottawa and Georgian Bay Can-
Company

MINUTES OF PROCEEDINGS

WEDNESDAY, April 6, 1927.

The Committee met at 11 a.m., Mr. Young (Saskatoon), Acting Chairman, presiding.

Present: Messrs. Anderson (Halton), Anderson (Toronto-High Park), Arthurs, Bell (St. John-Albert), Bothwell, Bourgeois, Bowen, Bradette, Brown, Campbell, Cantley, Casgrain, Casselman, Charters, Cotnam, Delisle, Donnelly, Dubuc, Duff, Dunning, Edwards (Waterloo South), Embury, Evans, Fafard, Fansher (Lambton East), Fansher (Last Mountain), Fraser, Geary, Gershaw, Girouard, Glen, Gott, Hanson, Heaps, Hepburn, Hocken, Howard, Jelliff, Jones, Kay, Kennedy, Lacroix, Lanctot, Lapierre, Lavigueur, Lovie, Lucas, Macdonald (Kings), MacLaren, McLean (Melfort), Maloney, Matthews, Maybee, Millar, Milne, Parent, Perley (Sir George), Pettit, Price, Ross (Moose Jaw), Rowe, Sanderson, Simpson, Smith (Cumberland), Spence (Maple Creek), Spencer, Stewart (Leeds), Stirling, Sylvestre, Taylor, Totzke, Tummon, Vallance, Ward, White (Mount Royal), Wilson (Wentworth), Young (Saskatoon), Young (Toronto Northeast), Young (Weyburn)—79.

On motion of Mr. Bradette,—

Resolved,—That the Committee recommend to the House that the fees and charges on Bill No. 174, An Act to incorporate the Red Lake and Northwestern Railway Company, be refunded, less the cost of printing and translation.

MONTREAL, OTTAWA AND GEORGIAN BAY CANAL COMPANY

Bill No. 78—An Act respecting the Montreal, Ottawa and Georgian Bay Canal Company.

Preamble. Consideration resumed.

Mr. Winfield Sifton (incorrectly referred to in yesterday's printed proceedings as Mr. Wynne Sifton), was recalled, and was again heard by the Committee.

Witness retired.

By permission of the Committee, Mr. N. G. Guthrie, counsel for International Paper Company, stated that that company was not opposed to the passing of this Bill.

Mr. J. A. Ritchie, counsel for Montreal, Ottawa and Georgian Bay Canal Company, was called and heard.

Witness retired.

The Committee adjourned at 1 p.m. until to-morrow at 11 a.m.

MINUTES OF EVIDENCE

COMMITTEE ROOM 231,

HOUSE OF COMMONS,

WEDNESDAY, April 6th, 1927.

The Select Standing Committee on Railways, Canals and Telegraph Lines met at 11 a.m., Mr. Young (Saskatoon) presiding.

The CHAIRMAN: Mr. Sifton, will you proceed?

Mr. W. SIFTON: Mr. Chairman, yesterday morning I was dealing with the point of the principle as to the allocation between users of power and users of navigation, and the total cost of developing such a waterway as the Ottawa, river, and I was just pointing out that this charter in no way decides the question of principle, but it leaves it entirely a matter for Parliament to decide, and for the Railway Commission to apply, what principle shall apply in the case of this fixation of rates, what proportion the power shall be charged with, and what proportion the navigation shall be charged with. Under this charter, our company will create the asset; the asset will be there; there is a certain advantage in the use of power, and there is a certain advantage in the use of navigation facilities. What the proportion of the advantage between the two will be is left entirely to Parliament, and is not settled in this charter. There is another point which has been made quite a bit of, in connection with the discussion of this canal, and that is the suggestion that power is a new feature in this canal. The suggestion is that we have deliberately taken an old charter that had a subsidiary clause in it, more or less by accident, and attempted to expand the importance of this canal feature. Now, in that connection, I would like to read a short paragraph in the Georgian Bay Ship Canal survey prepared by the Public Works Department. It is found on page 291. The clause is this:—

These powers, by reason of the canal construction, and the storage created at the head waters, form one of the chief features in the building of the canal, and if properly administered, would ultimately, as industries would gradually be established, go a long way toward paying interest on the total cost of construction.

That is the government report, and it has been part and parcel of this proposition every time it has been before Parliament. There is nothing new about it in any way whatever.

Further down on the same page of the same report it says:—

By the plans for the waterway, the flow with the proposed storage, will be augmented at low water season, the number of available sites for powers increased, and in addition the navigation requires the construction of dams which are in themselves the most expensive part of the power development. But these dams in general are larger than a power company would undertake for development purposes only.

An Hon. MEMBER: What year is that?

Mr. SIFTON: 1908. I think that disposes of any suggestion that we have imported any new factors into this charter, or that the problems were altered in the slightest degree during the time it has been before Parliament. In this connection, the same problems, or another application of the same problem,

[Mr. Winfield Sifton.]

emerged in the consideration of the St. Lawrence deep waterway. There was a question submitted to the Joint Board—it is question number five of the submissions to the Joint Board of International Engineers, which is contained in the St. Lawrence Waterway Report of the Joint Board of Engineers appointed by the governments of the United States and Canada, 1926. On page 42, the following question appears:—

To what extent may water levels in the St. Lawrence River, at and below Montreal, as well as the river and lake generally, be affected by the execution of the project.

That is the project of the canalization of the St. Lawrence. The answer, as given in this report, is as follows:—

The irresponsible operation of the power works proposed by the Board, or indeed, of any power works, however designed, that develop fully the power resources of any section of the river, would affect injuriously the water levels in the St. Lawrence River at and below Montreal, but it is feasible to operate these works under government supervision in such manner that they will neither lower the summer levels in the lower river, nor raise the winter and spring levels. With such control, the improvements proposed will have no injurious effect whatever on the water levels of the St. Lawrence at and below Montreal.

Now, our company submits, gentlemen, that water levels in the harbour of Montreal, and in the lower St. Lawrence, depend partially upon the flow of the St. Lawrence river, and partially upon the flow of the Ottawa river. The waters are mixed; they join at the St. Lawrence, and it is the waters of the two rivers which maintain the levels in the harbour of Montreal, and the lower St. Lawrence. It is true the Ottawa river is but a small portion of the total, but in the ratio that the flow of the Ottawa river bears to the flow of the St. Lawrence, the same finding applies, and we submit that the finding of this Joint Board of Engineers means exactly what we have contended, and that is that you cannot develop the Ottawa river without injuring the water levels in the harbour of Montreal, and in the lower St. Lawrence, unless you develop the Ottawa river as one unit, and under one control, for the purposes of navigation, and subsidiary and auxiliary to that navigation, as it is in our charter.

In continuing the examination of the charter itself, as it now exists, I want to draw your attention for a moment to the expropriation clause now contained in clause five of the Act of 1906, which I would like to read:—

Section 43 of Chapter 103 of the Statutes of 1894 is hereby repealed, and the following is substituted therefor.

His Majesty, his heirs and successors, may, at any time assume the possession of and to the property in the said canal and works, and all and any of the rights, privileges and advantages of the company, on giving to the company one week's notice of intention to do so; thereupon the property in the said canal, works, rights, privileges, and advantages shall become, and thenceforward shall be vested in His Majesty, his heirs and successors.

Now, gentlemen, the important aspect in the expropriation clause is the terms upon which you can expropriate, and that was contained in the balance of the clause as follows:—

— And by way of compensation, His Majesty shall pay to the company the value of the work actually done by the company, up to the time of the giving of such notice, of any survey, and the making of plans and otherwise, upon the ground, together with the value of all tangible property of the company, of which possession may be so taken, such value to be

fixed by three valuers, or a majority of them, one valuator to be chosen by His Majesty, another by the company, and a third by the two so chosen.

You will note that it definitely excludes any payment being made under this clause for vested interest, for unexpired construction, for future profits, etc. It is a very extraordinary clause; it restricts compensation to the actual property which is there, and the actual expenditure which has been incurred. Now, this clause means this. It means that the company, if it proceeds with its work, may always be taken over if and when a comprehensive scheme of public ownership is decided on.

The charter as a whole, containing this clause, means this. It means that at the moment the Dominion of Canada, not being prepared to go on with the canalization and development of the Ottawa river itself, permits a private corporation to do so under stringent control. But in doing so, Parliament by means of this clause leaves the door open so that at any time Parliament can re-enter into complete possession and ownership of rights, authorities and works without the payment of one penny of damages and by merely the reimbursement of actual audited out-of-pocket expenditure on actual work, which the government would in any event have to do for itself.

I submit, sir, that there are many objections which could be raised against that clause by the company; but I submit there can be no objections to it from the point of view of the public interest.

Perhaps, Mr. Chairman, it would make this point more clear to the members of the committee if this present clause is compared with the clause which it repealed. That was Section 43 of the original Act. The difference is found in the end of the clause, as follows: "And the arbitrators may, in such valuation, take into account the expenditures of the company, its property, and business of the canal and other works hereby authorized, and its past, present and prospective business, with interest from time to time on the investment thereof."

There has also, Mr. Chairman, been some criticism of Clause 1 of the present Bill No. 78 which must be read in conjunction with Section 43 as it now stands, and which I have just read. The part to which I refer is found at the end of Clause 1. The trouble with Clause 1, as I understand it, and the criticism of it, is that it is suggested that in that clause:

1. The company can go to work on this great waterway.
2. Anything it has not completed by the due date, it must leave undone, and its authority to build such uncompleted work lapses.
3. What it has built can be taken over by the government
 - A. At any time.
 - B. On seven days' notice.
 - C. On payment of bare cost, with no damages whatsoever.

I submit, Mr. Chairman, that in these clauses we have established a principle in the public interest which is exceptional. Most certainly this charter does not alienate public assets in the ordinary sense of the word. I may be mistaken, but I do not think there is any such re-entry clause in the National Hydro lease of Carillon renewed as late as November last. That company's lease provides:

1. No through canal.
2. No re-entry or repossession clause and is alienation of the public domain in its accepted sense.

I submit to those members who have opposed this Bill on the grounds that it permanently alienated a portion of the public domain, that they consider these clauses carefully, and verify for themselves the fact that this charter does no such thing; verify the fact that, far from doing so, this charter is an exception to the ordinary rule, in that it is a temporary alienation subject to recovery at will, at bare cost, which no other charter or lease is, to my knowledge.

[Mr. Winfield Sifton.]

Now, Mr. Chairman, I wish to thank you and the members of the committee for the patient hearing you have given me on these involved matters of detail. Before I sit down, I would appreciate it if you would bear with me for a few moments to consider the broad fundamental factors which underlie this matter.

In the first place, I, in common with nearly everyone in this room, have since babyhood been fed with patriotic speeches about

- A. The illimitable resources of our country,
- B. The boundless natural assets of our country,
- C. The potential wealth of our country, etc., etc.

Mr. Chairman, natural resources, no matter how boundless, do not fructify by themselves. They require the services of labour and capital to develop and use them, before they can contribute one penny to the wealth, comfort, and happiness of the people of this country.

Mr. Chairman, the fundamental basis of the submission of this Bill to Parliament is that we be allowed to develop, with labour and capital and all the resources of modern science, one of the greatest of our natural resources, viz., the Ottawa River. We want to convert that natural resource, that potential asset, into a present asset, into the present income which results from development. —It means income in the form of savings to all classes of the community. It means development which implies work at profitable rates for large numbers of the people of this country. It means all the benefits of the canal.

Mr. Chairman, I submit that this Ottawa River has been a potential asset long enough. If this Bill is rejected, I submit that the Ottawa River is in serious danger of becoming what my banking friends call a "frozen asset".

On the other hand, if we are permitted to go on, what is the position? In the first place, we are hedged about with what I submit are the most complete set of safeguards in the national interest that have ever been devised in this country. In the second place, we are in the position where we cannot make a dollar unless and until we first contribute to the development of Canada this canal which will be of such inestimable benefit. In the third place, even if we fail, the public interest in Canada cannot possibly suffer loss or detriment. Pass our plans and give us a fair chance to complete our works, and we will certainly have no claim whatsoever against anybody in case we fail to complete the work on time. If we fail, we cannot block the river. We cannot take the river away with us. We cannot do anything to the detriment of the public interest, and anything we do build will be that much done, that much development accomplished, and to the extent of the work done, that much contributed to the development and total of the national assets.

Mr. Chairman, in conclusion I wish to say, as my own opinion, that I believe that to any thinking man who studies this problem, to any thinking man who studies the problems of this great country, and considers the ameliorating effect which the cheap freight rates and economical access which would be afforded by this canal, to anyone who realizes what cheap transportation means, to anyone who knows what the development and use of power mean, to any such man it will be as it is to me.

I believe, Mr. Chairman, that the spectacle of this Ottawa valley undeveloped, of this canal route unopened, of this great Ottawa River running ceaselessly to waste, is a great national tragedy, which should be ended by immediate development.

Mr. DUFF: Before you leave, Mr. Sifton, it has been stated here that if the Georgian Bay Canal is built, a great deal of Nova Scotia coal will find its way to the head of the lakes. Can you give the committee any particulars which, in your opinion, would mean the substitution of Nova Scotia and Welsh coal for United States coal, and will you also say if it is a fact that the British Empire

[Mr. Winfield Sifton.]

Steel Corporation, which is interested in the development of our Nova Scotia mines, have written a letter stating that large quantities of coal will find their way as far west as the Great Lakes?

Mr. SPROSS: Well, sir, I am not a coal expert, but the company has taken what steps it could to get the best information obtainable on that subject, and I have in my hand a statement signed by Mr. Neate of the Dominion Fuel Board of the Department of the Interior, prepared by the Department of the Interior, which, with the permission of the Chairman, I would like to put in the record. This statement is the schedule of the amount of bituminous coal of similar quality to that which is supplied by Nova Scotia coal mines, which now finds its way to points along the route of the Georgian Bay Canal. It also shows the total cost of delivery to these various points along the canal, and the total saving or extra cost as the case may be, in putting Nova Scotia coal into the same places, to meet the existing market, when the canal is built. The actual estimated saving along the main points of the route of the canal shows that Nova Scotia coal can be put into the present market at Ottawa and Hull for \$1.01 per ton less than the existing cost of getting American coal here. I will put this statement in the record.

NOVA SCOTIA COAL
SAVING IN COST DELIVERED VIA GEORGIAN BAY CANAL

Delivery Port	Distance from Montreal miles	Time of transit from Montreal hours	Nova Scotia Coal			U.S.A. Coal			Total saving or extra cost via G.B.C. per ton	Estimated quantity per annum tons
			Cost at Montreal	Freight rate via G.B.C.	Total cost at delivery Port via G.B.C.	Cost at mine	Freight rate and duty via existing routes	Total cost at delivery port via existing routes		
			per ton	per ton	per ton	per ton	per ton	per ton		
			\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
Montreal			5 00		5 00	1 75	4 32	6 07		2,000,000
Ottawa & Hull	120	16	5 00	0 16	5 16	1 75	4 42	6 17	1 07	(1) 793,000
Arnprior	169	23	5 00	0 23	5 23	1 75	4 84	6 59	1 36	(1)
Pembroke	227	32	5 00	0 32	5 32	1 75	5 48	7 23	1 91	(1)
Montreal	318	44	5 00	0 44	5 44	1 75	5 70	7 45	2 01	(2)
Hubbards	313	56	5 00	0 56	5 56	1 75	6 94	7 08	2 13	10,000
North Bay	368	55	5 00	0 55	5 55	1 75	6 90	6 74	1 19	(2) 925,000
French River Village	440	66	5 00	0 66	5 66	1 75	5 59	7 34	1 68	(2)
South Bay of Marie	661	88	5 00	0 88	5 88	1 75	3 15	4 90	E.C. 0 98	910,000
Fort William	931	113	5 00	1 13	6 13	1 75	3 15	4 90	E.C. 1 23	1,000,000

(1) Included in Ottawa total.

(2) Included in North Bay total.

Notes.—The estimated saving via G.B.C. is dependent only upon present rates. Establishment of a competitive rate would reduce same accordingly.

COMPARATIVE COSTS OF WELSH ANTHRACITE AT GEORGIAN BAY CANAL POINTS

Harbour/Port	Distance from Montreal	Rate via G. B. C. from Montreal	Average 17.5% net tonnage market (1911-1912)	British price U.S. anthracite 1925	Assumed laid down cost Welsh anthracite based on 1911-1912 Montreal prices	Assumed retail price Welsh anthracite at destination	Total cost of U.S. anthracite to non-owners	Estimated cost of replacing with Welsh anthracite	Estimated saving
		\$ cts.	tons	\$ cts.	\$ cts.	\$ cts.	\$	\$	\$
Ottawa	120	0 18	177,900	15 22	14 65	15 65	2,626,700	2,472,400	154,300
North Bay	220	0 24	25,000	17 50	16 62	19 01	425,000	361,000	64,000
South Star, Maine	60	0 88	12,000	10 50	16 35	19 28	217,500	230,800	13,300
Head of Lake	50	1 42	75,000	17 25	16 62	19 61	1,207,500	1,117,000	90,500
Total			290,000						318,900

Note.—In estimating cost of replacing United States anthracite with Welsh anthracite, allowance has been made for heating efficiency of the two fuels. The heating value was 13,000 B.T.U. for Welsh anthracite, being equal to heat of American anthracite.

It should be noted that the supply of British anthracite available for the Canadian market is limited. It is estimated that more than 100,000 tons would be available in any year. The Montreal market as a rule absorbs nearly all of the coal shipments from Great Britain.

(No. 10, 1925, 1926)

Mr. SIFTON: The smallest saving in cost in actually delivering Nova Scotia coal to any point along the route of the Canal is \$1.01 at Ottawa.

I believe the General Traffic Manager of the British Empire Steel Corporation is available in Ottawa to-day. He is an expert on these points and I would suggest that the Committee hear him in detail.

Mr. EVANS: What value do you think these figures have in reference to the fact that we put a bill through Parliament paying \$1 a ton to bring Nova Scotia coal as far as Montreal, for coking purposes, and that \$1 per ton is about 25 per cent of the value of it laid down in Montreal?

Mr. SIFTON: I am not a coal expert. I have submitted figures prepared by the Government, not by our company. The coal expert of the British Empire Steel Corporation is here and I think the question should be answered by him.

Mr. EVANS: You must have fixed tolls.

Mr. SIFTON: We cannot fix those; the Railway Commission fix the tolls. This is the gross saving from which must be deducted any tolls charged by the Canal.

Mr. ANDERSON (High Park): The tolls would depend on the cost of the undertaking?

Mr. SIFTON: They would depend on the cost of the undertaking and depend on the principle adopted by Parliament on the allocation of fixed charges.

Mr. ANDERSON (High Park): You could not be asked to carry it at less than what it was worth?

Mr. SIFTON: No. I do not think so. On the other hand we could not afford to put our tolls up to such an extent that we would not get the traffic. We have to have the traffic.

Mr. GLEN: When this matter was before the House, and discussion took place, there was a great deal made of the question of what was public ownership. A good many exceptions were taken upon the fact that this might be reducing public ownership. I took the position, along with many others, that this is different, and I would like to ask Mr. Sifton, before he sits down, what the difference is in the question of public ownership, so far as the province of Ontario is concerned—and I might say that I will ask this question also of the province—is there if the Ontario Hydro purchases power from the Canal Company, as you propose, and what difference there is in their purchasing it from the Gatineau Power Company, and also if they purchase it, as I believe they propose to do, from the Carillon Falls?

Mr. SIFTON: According to the public report, the Ontario Hydro Commission contracted with the Gatineau Power Company for a definite period of years, thirty years I believe, and so far as I have seen the report—I have never seen the contract—but so far as I have seen the report I have seen no statement that the Ontario Hydro Commission have a right to renew that power and to acquire that power for any longer period than thirty years at the same price they are getting it for to-day. Now, according to a report in the Toronto Telegram, which was read into the records by Mr. Woodsworth, I believe, they estimate that the price which the Ontario Hydro pays for power to the Gatineau Power Company will enable that private company to pay their sinking fund, so that the whole cost of that power installation will have been paid for by the power users in the Province of Ontario upon the expiration of that contract in thirty years' time. That private company will be in possession of a plant paid for by the province of Ontario. The plant is outside of Ontario and not under the control of the Legislature of the province of Ontario; it is in Quebec and Ontario has nothing to do with it. They have got away with the

plant and can either refuse to sell power after the thirty years to the province Ontario, or they can double the price. There is no protection whatsoever for the people of Ontario. Now, compare that with the situation of buying power from the canal? They apply to the Railway Commission and the Railway Commission fixes the price, and the terms of the contract under which they buy power from the canal company. They always have the protection of the Railway Commission with regard to the price they pay for that power, and they can get an order from the Railway Commission to make that supply of power from the canal company permanent, perpetual and forever. It fixes the price without any possibility of ever being held up.

I submit, Mr. Glen, that that is the fundamental difference; it goes right to the root of the whole problem of permanent supply. I think the same thing applies to the suggestion of buying power at the Carillon. I think it was Mr. Bennett who stated in the House, as I understand him, that Mr. McGrath was here and was a party to the extension of this lease at Carillon, and he drew the inference from that that the Ontario Hydro were quite satisfied with this lease; were quite satisfied that private interests should develop the whole of the river at the Carillon site and quite satisfied to buy power, as I understand it, on similar terms, which would result in exactly the same thing, as I have just suggested that the Gatineau Power contract will eventually result in. I have not seen the contract; I am referring to the interpretation by the Toronto Telegram.

MR. GLEN: There is no doubt that the province of Ontario are purchasing from this private company, the Gatineau Power Company, their power at the present time?

MR. SUTTON: I have not seen the contract, Mr. Glen. I believe the Ontario Government is represented here, and I believe the Ontario Hydro is represented here, and they are in a position to answer that question definitely. I have never seen any such contract, I merely know what the newspapers say.

MR. YOUNG (Wesburn): Both your brother and yourself have made the statement that the water-powers of this canal rightly belong to the public. I would like to ask you, and ask the Committee to consider, this question: To what public do they belong? Take the Carillon Power Company for example; does that belong to the people living within, say, a radius of ten miles of the Carillon, or does it belong, as your brother said yesterday, to those living within transmission distance, or does it belong to the whole people of Canada? That is a question that is going to be of more and more importance as times goes on. If you look at Northern Manitoba and Saskatchewan you will find vast water-powers with nobody living anywhere near them, and some day there is going to be a demand for this power in excess of the supply. The question is, who is going to be entitled to that, in your opinion, and also I would like the Committee to consider this: how are the people who are entitled to the benefit of that power to be assured that each will receive his share? How are we going to be assured that, say, the city of Toronto is not going to get more than its share of the power available in Ontario? How are we going to be assured that the city of Winnipeg is not going to get all the power within one hundred miles, to the detriment of all the other smaller settlements? That is a question I think we should settle clearly in our minds.

MR. SUTTON: That is a question that the members of Parliament are elected to decide. On the other hand, it is a problem to which our company has given considerable attention. It raises the big question, as you say, of public policy. So far as our company is concerned, we have no authority to transmit power long distances from power sites. We can sell the power wholesale, under order of the Railway Commission, at what they call the buss bar; at the power plant

As the charter stands to-day, we cannot distribute the power; we cannot go into the business of the distribution of power in competition with either the Ontario Hydro or with the private company on the Quebec side of the river. But it does raise this question. Suppose, for instance, that we develop power at the Chats Falls. The town of Brockville is about 65 or 70 miles away from the Chats Falls. The city of Toronto wants power from the Chats Falls, which is three times as far away. If a manufacturer in Brockville wants some large power, does he have to move his plant up to Toronto in order to get it, or is he just as fairly entitled to say, "I have a right to have power; I live closer than Toronto." But, Mr. Young, that is not a matter for this company, that is a matter for Parliament. It does not affect the charter; nothing in the charter makes any ruling in regard to that problem, it is left quite open.

MR. YOUNG (Wayburn): One other question. Is it true, as the Minister of Railways stated, that the Carillon Falls is the real bone of contention to your interests?

MR. STURON: Mr. Young, I do not think it is. I can see a lot more opposition to our charter than the National Hydro at Carillon, although I will say this; I think the primary opposition to our bill was the Carillon Falls having, as I understand, negotiations and some kind of understanding with the Ontario Hydro. That was the primary thing. There is no row about Chats Falls, for instance. There is not much row farther up the river where the market is farther away. I think to this extent you could say that the company would agree there is a lot in that statement; that the leadership of the opposition, the driving power of the opposition came from the people who wanted something which was a small part of what would be controlled by our company in case this charter went through. I think that is a correct statement.

HON. MR. DUNSTON: Mr. Sifton, could you finance and build the Georgian Bay Canal if the power at Carillon Falls was controlled by someone else?

MR. STURON: That is a big problem. I discussed that particular question with the late Sir Adam Beck for about six months. There are many aspects in connection with it. I think it is possible that an arrangement might be worked out, but it would be an unbalanced arrangement.

HON. MR. DUNSTON: It would be very difficult.

MR. STURON: We would be flat up against the finding of the International Board, which says that an independent power company, no matter how it is operated independently, would operate to the detriment of the water levels in the harbour of Montreal and the lower St. Lawrence. I doubt if you could work it out on any basis which would be satisfactory to the levels in the harbour of Montreal.

MR. YOUNG (Toronto, North East): Have you not got power under Section 17 of the Act to take over any section?

MR. STURON: No difficulty whatsoever. I believe that as it stands at present, under that clause, if this charter is continued we could file expropriation notices with the Railway Commission and walk in and take possession and pay the compensation which the Railway Commission decides is the proper price for us to pay.

AN HON. MEMBER: You mean the Exchequer Court?

MR. STURON: Yes.

MR. WARD: In reference to this bone of contention, mention was made in the House, I think, by the sponsor of the Bill, of opposition on the part of the International Paper people against the passage of this legislation. Can you give to the Committee any reason why the International Paper people, a private corporation like yourselves, should oppose this Bill?

(MR. WARD: Sifton.)

Mr. SIFTON: Well, Mr. Ward, we have had to give considerable attention to the position of other interests who might be opposed to us, or who might be on our side. I deprecate discussing the private affairs of other people, but you have asked that question. I am not a director of the International Paper Company and I do not know anything about their business, except what I see in the public press. As I see it, they have a big advantage to look forward to in the long run through this charter being extended and through the construction of the canal. On the other hand, they have a balancing disadvantage, and I think I can answer your question by giving you some grounds for making up your own minds with regard to the relative merits of the advantages and disadvantages from their point of view.

According to the press, they have about a million horse-power in this area on the north side of the Ottawa River stretching from above here down nearly to Montreal. As I understand it, the price at which they sell that power is entirely in their control. They own that power, and they develop it as they like and sell it to whom they like.

Mr. HANSON: Is it not controlled by the Public Utilities of Quebec?

Mr. SIFTON: I know of no control in the province of Quebec as to the price for which they sell their power. I was not aware of that fact.

If we build this canal, they would be in this position. We will have considerable cost in connection with canalization. For instance, as the Government report shows, we have to build bigger dams than would be necessary if it were purely a power project. Our capital cost per horse-power is bound to be higher than the capital cost per horse-power of the Gatineau Power Company, for instance, or any of the other subsidiaries of the International Paper Company. Now, when the Railway Commission find what our capital cost is, and find a fair price at which we can sell our power, that price is bound to be a little bit higher than if they were investigating similar cost on the part of the International Paper Company. So that the price in this market will be pegged at a price which is more profitable to them than it will be to us. I do not see why, in the long run, it would not be very much to their advantage. I think, if they are opposing it, it is a very short-sighted view for them to take.

Mr. HANSON: I think, in justice to the International Paper Company, it should be stated here publicly that they are not opposing this Bill; they are not interested in this one way or the other.

Hon. Mr. DUNNING: Mr. Hanson, can you speak with authority for the International Paper Company?

Mr. HANSON: I am not representing them, but in conversation with Mr. Graustein, he told me they were not opposing this Bill.

Mr. LAPIERRE: Will you tell the Committee whether you would be compelled under this charter to develop the 36,000 horse-power in the French River?

Mr. SIFTON: Yes, definitely; we would have to develop it and we would have to build a canal, and we could not make a dollar for the shareholders or the promoters, or anybody else, directly or indirectly, until we did it, until we had finished it and provided navigation right up the French River and had the power for sale to the people in that area.

Mr. SPENCE (Maple Creek): Do you think you can sell power as cheaply as the Hydro?

Mr. SIFTON: That is a very large question. I have been familiar with the estimates as to the cost of developing power for quite a while, and those estimates vary. I have seen the estimates as to the cost of power, previous to the building of Chippawa; what the power was actually going to cost to build Chippawa. I think the engineers of the Hydro, as I remember it, made differ-

(Mr. Winfield Sifton.)

out estimates which varied from year to year, and I do not think that there is an engineer who could give you an exact answer to that statement.

Discussion followed.

Mr. PETTIE: What is the estimated toll per ton on coal through this canal from Montreal to the Georgian Bay, and to all the different points, as estimated by the company to be charged; also on wheat, the other way?

Mr. SUTTON: The question of tolls on canals is extremely complicated.

Mr. PETTIE: But surely you have estimated the toll that you are going to charge per ton on coal on that canal, having regard to the cost of the whole development; what is that estimate?

Mr. SUTTON: As a matter of fact, we have not estimated that. Tolls vary on classification in matters of this kind very much, as they do with regard to freight rates. I think I can find you an example of the variation in tolls charged. Take the Manchester Ship Canal, which is a canal right in the heart of free trade Lancashire, where practically every human being using that canal is a free trader of the purest type. They use this question of tolls as an indirect method of bargaining for tariff and trade advantages. The dues on the Manchester Ship canal are adjusted, and ships coming from countries which gave Great Britain favourable trade terms are given lower dues in passing through the Manchester Canal. Certain dues are agreed to with foreign countries; they are given lower dues in exchange for tariff advantages to the goods from Great Britain. They find that a most effective method. I think that is a matter which will have to be considered very carefully by the Railway Commission.

Mr. PETTIE: That is over in England; I am talking about right here in Ontario.

Mr. SUTTON: The same principles will apply.

Mr. PETTIE: Between Montreal and the Georgian Bay, where you are going to construct this canal, having regard to the cost of the whole undertaking, the company surely must have estimated the tolls they were going to charge per ton on coal going through that canal to the different points, and also on wheat going through this canal from Georgian Bay to Montreal?

Mr. SUTTON: As a matter of fact, we have not made any detailed estimate in that regard, for this reason: it is subject to the Railway Board.

Mr. PETTIE: What is the estimated toll on coal per ton, and also per bushel on wheat?

Mr. SUTTON: Before you can arrive at any such estimate, the Railway Commission will have to decide what proportion of the total development is properly chargeable against navigation, and what proportion is properly chargeable against power. Until the Railway Commission lay that down in a ruling no estimates of any value can be made, except this; that it is perfectly obvious that the toll on coal will be much less than the estimated savings in the cost of Nova Scotia coal laid down at any of these points along the Georgian Bay Canal.

Mr. PETTIE: If you have not made an estimate for the toll on coal, how could you give the figures on the saving per ton on coal delivered to different points along the canal?

Mr. SUTTON: I answered that a few moments ago, when I stated that it was a gross saving, subject to the deduction of the actual toll charged. In other words, coal can be put into the city of Ottawa, according to the Department of the Interior, for \$1.01 per ton gross less than the present cost of getting American coal of similar quality. From that \$1.01 would have to be deducted 25 cents, or 50 cents, whatever the toll was on that coal, leaving a net figure, or the net saving in delivering the coal here.

Mr. GEARY: Mr. Harry Sifton was asked as to the position of the company, as to the relationship of the present promoters with the shareholders of the company. I understood that you would be able to answer that question.

Mr. SIFTON: I have not got the list.

Mr. GEARY: I noticed from the brief that you were about to use, or that you used, I am not sure which, that £254,000 is the amount claimed by the shareholders.

Mr. SIFTON: That is quite right.

Mr. GEARY: I would like to know, if that claim were allowed, just what share of that the present promoters expect to get?

Mr. SIFTON: We do not expect to get a dollar of it.

Mr. GEARY: If you will give me the directors of the company I would be much obliged.

Mr. SIFTON: Under the Railway Act a carrier company is required to have a minimum of, I believe, nine directors. The directors are as follows: Senator N. A. Belcourt, myself, G. W. Vollman, H. C. Groves, H. B. Houwer, Paul Lodge, K. B. MacLaren, E. R. McNeill, Senator G. V. White.

They all represent the majority interests which are in a large part English, associated with ourselves.

Mr. GEARY: You have no objection to giving us a list of the shareholders?

Mr. SIFTON: I have no objection whatever.

Mr. GEARY: Will you have that put in the record?

Mr. SIFTON: Yes, I will put a list of the shareholders in the record.

Mr. DONNELLY: I would like to ask you, Mr. Sifton, if you are aware that there is a private Bill pending, to build a ship canal from Cornwall to Montreal, and if that differs from the Georgian Bay Canal, and whether your company has any interest in it? Can you tell us what financial interests are back of that company?

Mr. SIFTON: I am not familiar with that charter, although I have read it over. As I glanced at it, there seemed to be certain points of similarity. In fact, I suspect that some of the clauses have been copied from our charter, but it has certain clauses which are radically different from ours. So far as the ownership of it goes, I have no certain information on that. I have heard a certain amount of gossip but I do not know whether it is sound or not. I have heard it rumoured that the Frontier Corporation, a subsidiary of the General Electric, and the Aluminum Company of New York, who have the Messina site—who own the riparian rights along the river at Messina—are interested in some way or another in this charter, but we have no interest in it in any way, shape, or form, directly or indirectly, and no one connected with our company has anything to do with it.

Mr. RYERSON: You have made the statement that you will produce power. Will that be in excess of the power which would be developed by other companies?

Mr. SIFTON: I did not make that statement; I read the report of the government engineers. The statement in the government report is this:

By the plans for the waterway, the flow with the proposed storage, will be augmented at low water season, the number of available sites for powers increased, and in addition the navigation requires the construction of dams which are in themselves the most expensive part of the power development. But these dams in general are larger than a power company would undertake for development purposes only.

(Mr. Winfield Sifton.)

Mr. RYANSON: In view of that statement, it would appear that the consumers of electric power would be taxed the difference.

Mr. SUTTON: Not necessarily; not necessarily. The Railway Commission could take this position—they could say "We will take the bases upon which we will charge power as the cost of that power after having deducted any excess cost due to larger dams, which are made necessary by navigation, but would not be necessary on account of the power." That is a matter of high policy which Parliament will decide, and is not for us. Under the charter, there is no compulsion whatsoever that any additional cost would be charged to the power users.

Hon. Mr. DUNNING: Your company is entirely a private company, is it not?

Mr. SUTTON: Entirely.

Hon. Mr. DUNNING: And the National Hydro is also a private company, is it not?

Mr. SUTTON: So far as I understand; I do not know anything about their company except from the public reports.

Hon. Mr. DUNNING: The rates to be charged for power under your charter are controlled by the Railway Commission?

Mr. SUTTON: Absolutely; we cannot sell one horsepower to anybody until after we have an order from the Railway Commission, authorizing it, and authorizing the price.

Hon. Mr. DUNNING: Does such control exist with respect to the National Hydro?

Mr. SUTTON: I have read through the lease, and I understand the only way such control can be instituted is by a condition of the lease, and I cannot find that in their lease. I know of no such control.

Hon. Mr. DUNNING: Why is it regarded as an unrighteous thing, in regard to the principles of public ownership, for you to sell power to the Ontario Hydro Commission, and a perfectly righteous thing for the National Hydro to do the same thing?

Mr. SUTTON: I am afraid I cannot give political evidence in front of this committee.

Hon. Mr. DUNNING: I am trying to get at the public ownership aspect of the thing.

Mr. SUTTON: I can see no reason—

Mr. HANSON: That is very pretty team play.

Mr. SUTTON: In my opinion, the Hydro Electric organization in the province of Ontario, under this charter, and under the regulations of the Railway Commission, is in a very sound permanent position, more so than they could be under any arrangement with any private company, not so controlled, other than ourselves.

The CHAIRMAN: Are there any further questions to ask of Mr. Sutton?

Mr. GARDINER: Statements have been made in support of this Bill that by building this canal, the cost of shipping wheat from the head of the lakes to Montreal will be greatly reduced. In view of the recent statement you have made, will you explain that matter?

Mr. SUTTON: Well, the company took care to make that matter a matter of record. They sent a letter to all the members of the House, and they gave their argument in regard to it. We can call technical evidence, Mr. Gardiner, in support of that statement of the company. I would be pleased to read the statement into the record as an answer. That is the company's answer. Our view in regard to it is this:—

(Mr. William Sutton)

MONTREAL, OTTAWA AND GEORGIAN BAY CANAL FREIGHT RATES ON WHEAT
FROM FORT WILLIAM AND PORT ARTHUR TO MONTREAL VIA EXISTING
ROUTES AND VIA THE GEORGIAN BAY CANAL

Distances

Fort William-Port Arthur to Montreal:

Via Lake Erie and St. Lawrence River, 1216 Statute miles

Via the Georgian Bay Canal 934 Statute Miles

Saving in Distance via the Georgian

Bay Canal 282 Statute Miles

Note:--The above distances are as recorded on the charts of the Great Lakes and from the Georgian Bay Canal surveys.

Time of Transit

The average time of transit from Fort William-Port Arthur by the existing all water route to Montreal via Lake Erie and the St. Lawrence River is 150 hours, equal to 6 days 6 hours. This is a matter of record. During the season of navigation many vessels are making this through trip and 150 hours is their average time of transit. One instance may be given:--on 17th of July, 1923, the Edwin T. Douglas of the Eastern Steamship Company arrived in Montreal with the largest cargo of grain ever carried down up to that date, namely 93,187 bushels. The time of transit was 6 days 3 hours equal to 147 hours.

The time of transit from Fort William-Port Arthur to Montreal via the Georgian Bay Canal must necessarily be estimated but data available from existing conditions is so complete that such an estimate may be accepted as accurate for this route.

This time of transit is estimated at 113 hours which gives practically the same average rate of speed as on the existing all water route.

Average time of transit on existing all water route, 150 hours

Estimated average time of transit on Georgian Bay

Canal 113 hours

Saving in time of transit via the Georgian Bay

Canal 37 hours

Freight Rates

Ignoring the all rail route, grain is now carried from Fort William-Port Arthur to Montreal by the two following routes:

(a) The all water route via Lake Erie and St. Lawrence River.

(b) By lake to Georgian Bay Ports and rail from those ports to Montreal.

The report on the Grain Trade of Canada, issued by the Department of Trade and Commerce gives the following average freight rates on wheat from Fort William-Port Arthur to Montreal for the season of navigation of 1925 by the above two routes.

(a) All water route, 9.03 cents per bushel.

(b) Lake and rail route, 11.80 cents per bushel.

What Will the Freight on Wheat be via The Georgian Bay Canal?

Grain via the Georgian Bay Canal will be carried in 10,000 ton lake vessels similar to those now operating on the Great Lakes.

The longest distance on which these vessels now operate from Fort William-Port Arthur is to Buffalo a distance of 863 miles with a time of transit of 3½ days or 84 hours.

The average freight on wheat from Fort William-Port Arthur to Buffalo in the season of navigation of 1925 as given in the Government Report already mentioned was 2.76 cents per bushel.

(Mr. Winsett Sifton)

It is well known that "Time" is the main factor in fixing of rates and that by the same type of vessel the rate will vary directly as the time of transit. Therefore: If wheat can be carried from Fort William-Port Arthur to Buffalo in 84 hours for an average rate of 2.76 cents per bushel, then it can be carried to Montreal in 113 hours via the Montreal Ottawa and Georgian Bay Canal for 3.73 cents per bushel.

Therefore the saving in freight rate via the Georgian Bay Canal over existing routes will be:—

- (a) All water route, 9.03 cents per bushel less 3.73, equals 5.30 cents per bushel.
- (b) Lake and rail route 11.80 cents per bushel less 3.73, equals 8.07 cents per bushel.

The cost of operation and maintenance of the waterway, fixed charges, etc. will absorb part of this saving but it is estimated that the actual freight rate on wheat from Fort William-Port Arthur to Montreal via the Georgian Bay Canal will be at least 3 cents per bushel less than the lowest existing rate.

Mr. PATTIE: Then you have estimated what toll per bushel will be charged by the company?

Mr. SUTTON: No; we took an outside figure. We think in practice the saving will be considerably more than the three cents. Our estimated gross saving is 5.30 cents, less the toll. We estimate that, having paid the tolls, a conservative estimate would be three cents. We say that the tolls will not be more than three cents per bushel. As a matter of fact, I do not think the tolls will amount to one cent, but in making this estimate, we leaned toward the conservative side, and estimated the tolls at the highest possible figure.

Mr. PATTIE: You know that the average rate on wheat per bushel, for the thirteen years down to and including the year 1925, has been one cent from the head of the lakes to Port Colborne lower than it was from the head of the lakes to any port on the Georgian Bay.

Mr. SUTTON: I know a little about that; it is a question of return cargoes. The whole question of returned cargoes comes in there.

Mr. PATTIE: You know that is so?

Mr. SUTTON: Yes, I know that. I know there is a differential against Port Colborne.

Mr. PATTIE: And you know that from Port Colborne to Montreal, by way of the Welland Canal, Lake Ontario, and the St. Lawrence river, the route is 70 miles shorter in distance than from Georgian Bay to Montreal via your canal.

Mr. SUTTON: I do not know that. I have never worked out that figure.

Mr. PATTIE: And in addition to that, you have the advantage of a long stretch of Lake Ontario, so that there is an advantage in the Welland Canal-Lake Ontario-St. Lawrence route, over the Georgian Bay Canal.

Mr. SUTTON: We are not before Parliament to argue the relative merits of the St. Lawrence and the Georgian Bay. We hope both will be built. We think the country needs both, but what we say with regard to our canal is this: that the country would not have to pay a cent for our canal. We ask for no subvention, and there is nothing to come out of the Treasury, and certainly the western wheat man gets our estimated saving of three cents a bushel. If the St. Lawrence route takes our trade away, we have no objection, but the only way it can do it is to give the western wheat man a greater saving, but we will make certain that he gets a saving of three cents a bushel.

Mr. PATTIE: And you say it will be cheaper to bring the grain through your canal, rather than via the other way?

(Mr. Winfield sits.)

Mr. SUTTON: I do not claim it will be cheaper to bring wheat through our canal than it would be to bring it through the St. Lawrence deep waterway, if, as and when constructed. I say there is an immediate saving of at least three cents per bushel over the existing rate.

Mr. HEAPS: You said the country would not have to pay a cent for the construction of the canal. Who will pay for that?

Mr. SUTTON: The people who use it and get the advantage of it.

Mr. HEAPS: Who will get the advantage of it?

Mr. SUTTON: Who pays for the C.P.R.? Is it not the man who buys a ticket and takes advantage of the facilities provided by the C.P.R., who pays for it? The same people will pay for the canal.

Mr. HEAPS: Are the tolls going to pay for the canal?

Mr. SUTTON: Certainly. The total construction is mixed up—the canal and power—and it is our opinion that they cannot be separated. The Railway Commission controls both the price of the power and the amount of the tolls, and Parliament controls the proportion in which these two shall be allocated as between power and canal tolls. The company does not. The total construction cost will be ascertained and it is felt that the total amount collected from tolls, and for power, will meet that cost.

Mr. HEAPS: That does not tally with your previous answer, where you stated that the users of that canal will pay for the canal, and now you say that the people who use the power will pay for the canal.

Mr. SUTTON: I think our position is quite clear.

Mr. HEAPS: Am I correct in assuming that the people who use the power will have to pay for the canal?

Mr. SUTTON: I have just answered that; it is on the record.

Mr. HEAPS: Am I right in my assumption?

Mr. SUTTON: I submit my answer is on the record.

The CHAIRMAN: That has been answered half a dozen times.

Mr. McLEAN (Melfort): Has the company any engineers here, who will be able to give us actual information about the physical features of the proposition? We have heard a lot of talk about the rights of the company, the rights of the provinces, tolls, duties, and a lot of entirely hypothetical questions. Can we have any information on the physical aspect of this question?

Mr. SUTTON: Mr. McLean, I suggest that if the committee want evidence on that question, they can get independent evidence from the Department of Public Works, who have had all the work on the Ottawa River under their control, by statute, since 1870, and who maintain a staff of engineers to take the flows and all physical conditions in regard to this area. They have experts in charge, and they have prepared this report and data, and so far as the company's constant negotiations with the Department for some years are concerned, they have given us grounds to arrive at the conclusion that we have never heard a suggestion from a responsible engineer appointed by the government that there was any substantial engineering difficulty which could not be overcome. I suggest, if there is any question you want to ask along that line, that you call these engineers.

Mr. ANDERSON (High Park): Is there any better evidence on the engineering features than is contained in that report of the Commission appointed in 1904, reported in 1908, and presented to Parliament in 1909? Is there any better evidence than that?

Mr. SUTTON: I don't think so.

Mr. ANDERSON (High Park): It is all there?

(Mr. William Sutton.)

Mr. SIFTON: Our company prepared a very elaborate survey, detailed plans, and such like, previous to 1907. Mr. Wiener came over and conducted the investigation. The government said, in effect, "We have no independent means of making this investigation; we only have the ex-parte system of the statement of the Canal Company, as to this whole mass of survey; we will appoint our Commission to check these surveys and resurvey it for ourselves, and give us an independent report," so they took our surveys and everything which we proposed, and they took them as part of what they were investigating, and used them throughout the investigation by the government. They adopted a very substantial proportion of the plans and suggestions contained in our original survey, so that this government survey is really a survey of plans, and an investigation which has been checked twice, once by us, and rechecked and certified by the government, independently.

Mr. HANSON: Is that the Ellis Commission?

Mr. SIFTON: No, I am referring to the Public Works of Canada Report of the Georgian Bay Ship Canal of 1908—in five volumes.

Mr. MILLAR: Returning again to the grain rate question, Mr. Sifton, I would like to ask if the figures you gave—if those who presented those figures have taken fully into consideration the enormous handicap this route would be under in the carrying of freight having only a 24-foot depth, as against a 30-foot depth in the St. Lawrence. I have seen somewhere that a large boat, well loaded down, would require, I think, 80 tons to sink it another inch; that means 900 tons a foot. It seemed so enormous that I almost hesitate to give those figures, yet I am convinced that my memory is serving me right. Now, a 24-foot waterway would be at a very great disadvantage against a 30-foot waterway, and as you know, the tendency always is to have larger boats, rather than smaller.

Hon. Mr. DUNNING: The Joint Board of the St. Lawrence waterway has recommended a 25-foot waterway for the St. Lawrence.

Mr. MILLAR: On the Georgian Bay Canal?

Hon. Mr. DUNNING: No, the International waterway on the St. Lawrence.

Mr. MILLAR: Then there will only be the handicap of one foot.

Hon. Mr. DUNNING: If you are comparing these two, yes.

Mr. SIFTON: Our English shareholders—or some of them—are very closely affiliated with some of the largest shipping companies in the world, located in the city of London. I am not an expert shipping man myself, but I have heard them go into that question many times, and heard their views about it, and the view of the English shipping experts in regard to that is this, that up to about 10,000 tons there is a definite saving; as the unit gets larger the unit cost is decreased. Possibly of late years it has gone to something above 10,000 tons, but when you get substantially above 10,000 tons, far from a saving it means a loss, because the larger ships cost more in proportion to operate. That is certainly true when you get above 15,000 tons. You can find in the statistics of ships under construction now, as shown in Lloyd's Register, that by far the greater proportion are ships of 10,000 tons and under.

Mr. MILLAR: But 24 feet would be a disadvantage as against 25 or 26 feet?

Mr. SIFTON: No, I don't think so. If they will take the economic units, there is no disadvantage.

Mr. MILLAR: You do not contend that a 24-foot channel would take the larger ships carrying grain on the lakes?

Mr. SIFTON: It would take a 10,000 ton ship as it stands now. Let us take a 10,000 ton unit—I do not know the exact basis of the existing large unit—but a

(Mr. MILLAR SILENT.)

ship could certainly be constructed to fit the measurements of these locks and sills, so they would carry 15,000 tons through this canal.

Mr. YOUNG (Weyburn): Can you give us any information as to whether the construction of this canal would make possible navigation between Ottawa and the mining camps of northern Ontario?

Mr. SUTTON: We submitted what were problematical factors in that connection. You will see on this map (indicating) sites, up to lake Temiskaming. In any event, we have to build a dam above the Mattawa River, where it leaves the Ottawa and goes toward lake Nipissing, to control the flow, and maintain the levels all the way down, and we have to control the flow of lake Temiskaming. There is a government dam up there now, and we submit that it would be wise for us to put in the necessary locks to get around the necessary dams we build, and the necessary locks to get around the government dam. If we do that, we could put a 10,000 ton steamer right up to the head of lake Temiskaming, almost into Rouyn, within 60 miles of Hurleybury, and we could take the Nova Scotia coal right into the heart of the mining country, take the supplies in, and bring the ore out.

Mr. SPENCER: What do you say would be the cost of that?

Mr. SUTTON: As I said a moment ago with regard to the estimate of Chippawa, that is very problematical. The best estimate we can get so far is \$282,000,000.

Mr. HANSON: How will you finance that?

Mr. SUTTON: By bond issue as authorized under the Act. When we start to spend the money to do the construction, we will have a certain authority for a bond issue. I think it is \$175,000,000 now, under the charter, and if that should become exhausted, we would come to Ottawa, and ask Parliament to let us issue the additional capital. We are authorized for \$175,000,000 now.

Mr. HANSON: Would that not carry an assessment as a first charge on your tolls for a long period of time?

Mr. SUTTON: It would be the same as the Canadian National Railway bonds are a first charge on the Canadian National Railway. Ours will stand on all fours with a company of that kind.

Mr. HANSON: Would you not have to sell your power on long-term contract before you could pay that off?

Mr. SUTTON: I do not think so.

Mr. HANSON: What is your experience with hydro-electric companies issuing bonds?

Mr. SUTTON: They are getting more valuable all the time, and easier to sell. My own experience in regard to it is that a company which does not sell its power on long-term contracts, but has courage enough to feed it out in small lots, at high prices, will make more money in the long run.

Mr. MATTHEWS: Have you any intention of asking the Dominion government to guarantee the bonds?

Mr. SUTTON: Not any guarantee in the world; we do not want a subvention from anybody, or a guarantee from anybody.

Mr. ANDERSON (High Park): Is it not true that Sir Robert Perks made frequent applications for the guaranteeing of his bonds?

Mr. SUTTON: Yes.

Mr. ANDERSON (High Park): And it was refused?

Mr. SUTTON: He did. I will say that in 1911, if the evidence were actually submitted to this committee, when the change of government took place, at which time I believe the last formal application for a guarantee was made

(Mr. WILKINSON Sings.)

If anybody looked at the position as it was then, they would say that old Sir Robert, if anything, had a better chance of getting his guarantee than of not getting it.

Mr. ANDERSON (High Park): That is one of the reasons why he did not go on with the undertaking.

Mr. STURON: I do not know what his reasons were, but from our point of view, when he approached us with a view of getting us interested in this business, we stated our *sine quo non*, that we would have nothing to do with applications to Parliament for financial assistance, and unless the English group wiped that out of their heads, we would have nothing to do with it.

Mr. ANDERSON (High Park): And you will give your assurance that you will not ask for a guarantee, as Sir Robert Parks did?

Mr. STURON: I am not so sure that if he had gone about it in another way he would have obtained it. I think this was at the extreme tail end of the fashion for governments to guarantee transportation securities. It was going out of fashion just about that time. We will not ask for any guarantee.

Mr. HEARS: How many horse-power do you expect to be developed, according to the interpretation of the charter?

Mr. STURON: According to the Public Works survey, which I think is as good an estimate as we can get, the exact figure is 761,880 electrical horse-power. That is the government estimate of the actual amount of power which is necessarily incidental and part and parcel of this canal project.

Mr. HEARS: And you would have control of that power—

Mr. STURON: We would not have control. The Railway Commission controls it, and we would have to pay for it. We control the producing of it, and turning of it into use. They control how we sell it, and at what price.

Mr. HEARS: There is also a granting of three million horse-power—

Mr. STURON: If you consider the statement I have just read from the Government report, the development of this power is part and parcel of the canal.

Mr. EVANS: Your brother made the statement yesterday that the directorate would always be Canadian. I would like to ask how you would provide for that?

Mr. STURON: Well, Mr. Evans, what he said was this; we suggested an amendment which would provide for a permanent Canadian control. You have the amendment in the Bank Act, which has been through Parliament many times, and which provides that the majority of the members of the Board of Directors shall be British subjects domiciled in Canada, either natural born or naturalized British subjects. The company suggests that that clause be applied to our charter.

Mr. ANDERSON (High Park): Is that not merely a bait held out to the people that this is a Canadian concern?

Mr. STURON: I do not think so.

Mr. ANDERSON (High Park): How are you going to control the shareholders of that company?

Mr. STURON: The control of the chartered banks has never been questioned. That is the only clause in that Bank Act which protects the chartered banks of Canada from being absorbed by large New York interests.

Mr. ANDERSON (High Park): But does it?

Mr. STURON: In my experience, it has done it. I know of large American banking interests who have considered the purchase of the control of Canadian banking institutions, but they have refused to go on with it on account of that clause.

(Mr. WOOD SALES.)

Mr. ANDERSON (High Park): Is it not because the banks stocks are held very largely by Canadian people and they will not sell?

Mr. SUTTON: They refused to go on and absorb them as they came on the market.

Mr. ANDERSON (High Park): These directors could be simply "rubber stamp" directors?

Mr. SUTTON: Yes, they could, but my experience is this: you may get one or two Canadians who are willing to act as Guinea pig directors, as rubber stamps for American financial interests against the interests of their own country, but where you have got fifteen men that must be on that Board, you cannot get eight of them to sell out their own country for any foreigner; not a Canadian.

Hon. Mr. DUNNING: You gave some figures a little while ago about the estimated power potentiality, seven hundred thousand?

Mr. SUTTON: The total is 817,880, according to the Public Works Report, of which 56,000, I believe, is at the present time developed in the existing developments and wing dams, leaving a net of 761,880 horse-power.

Hon. Mr. DUNNING: Do these figures leave out of account existing developments, for instance, at the Chaudiere?

Mr. SUTTON: It is part of the 56,000.

Hon. Mr. DUNNING: Only 56,000?

Mr. SUTTON: As I understand it, yes.

Hon. Mr. DUNNING: Are those figures for 24-hour power?

Mr. SUTTON: I do not know. I am not a power expert and I could not tell you that. I do not know whether it is 24-hour power or not; I think it is on the 24-hour basis.

Hon. Mr. DUNNING: And 200,000 of that is at the Carillon?

Mr. SUTTON: I think in the schedule on which the 761,880 horse-power is estimated, they take in Carillon on the basis of 213,000 horse-power.

Mr. MATTHEWS: Is it not a fact that this proposition would be incapable of being financed except for the potential power?

Mr. SUTTON: I think it is in the same position, for instance, as a flour mill. Nobody could build and operate a flour mill if they did not make mill feed; it could not be done. In fact, I have seen large flour mills in the Dominion of Canada—I have had the honour to be the President of one of them at one time—I have seen flour mills operated for years with their mills set for mill feed and not set for flour.

Mr. MATTHEWS: I would like to know if, in your opinion, this would be capable of being financed apart from the sale of power?

Mr. SUTTON: I have never considered it. It cannot be separated any more than you could mill wheat and not make flour and mill feed. If you develop the Ottawa River you must develop navigation and power.

Mr. MATTHEWS: Do you believe that it could be financed purely as a navigation proposition?

Mr. SUTTON: If you cannot separate it, you cannot arrive at the figures.

Mr. HANSON: Why not be frank?

Mr. SUTTON: I do not attempt any such statement. You can make any statement you like but you cannot put it in my mouth. There is a record of what is being said and of who says it.

Mr. ROWE: Have you ever heard of a flour mill being successfully operated where the mill feed was worth more than the flour?

Mr. SUTTON: I have seen flour mills fail because the mill feed was not worth enough.

Mr. GARDINER: Going back to the tolls and rates on wheat; I understand you to state that these are governed by the Board of Railway Commissioners. You have stated that you expect to make a saving on every bushel of grain coming from the head of the Lakes to Montreal of approximately three cents a bushel?

Mr. SUTTON: I would say that three cents a bushel is the minimum figure over the existing rate.

Mr. GARDINER: And possibly higher?

Mr. SUTTON: Yes.

Mr. GARDINER: We will figure on three cents. In view of the fact that the Board of Railway Commissioners will control the rates, both insofar as power and tolls are concerned, how can you say that there will be a saving of three cents per bushel on grain going to Montreal?

Mr. SUTTON: I can say this: the Railway Commission is not going deliberately out of the way to put an absolutely outrageous toll on wheat. They are not going to allow us to pay one hundred per cent on our stock.

Mr. GARDINER: I am glad to see that you are so sure, because we have had some experience with the Board of Railway Commissioners and we have found, insofar as their judgment is concerned, that they might be altogether different from the opinion you have given. There is really nothing definite, insofar as this saving is concerned.

Mr. SUTTON: That is your statement, it is not mine.

Mr. HANSON: If you go on with this project and change the water levels on the Ottawa river, there is no doubt that a large number of interests using the water on this river will be affected? Now, what move will they have to take to get compensation; are they able to go to court?

Mr. SUTTON: We are under the Railway Act. They are in exactly the same position as anybody who is claiming compensation against a railroad. There is an established practice laid down under the law by which they can hold us responsible and get complete compensation for everything.

Mr. HANSON: Your profile shows that between Hawkesbury and Chaudiere you will raise the level to 140; is that correct?

Mr. SUTTON: I do not carry those figures in my head.

Mr. HANSON: I understand that it would raise the level of the river ten feet between Hawkesbury and Chaudiere. If that is so, it would greatly depreciate the value of the Chaudiere Falls, would it not?

Mr. SUTTON: I can answer that question without giving you the figures. We are allowed to raise such a head as will maintain a current of something like three miles per hour, and it will not back up any water whatsoever into the tail race of the Chaudiere plants; and to them no injury whatever.

Mr. HANSON: You make that definite statement?

Mr. SUTTON: I make that definite statement.

Mr. HANSON: Will your engineers substantiate it?

Mr. SUTTON: I think Mr. Graham Bell can substantiate that.

MAJOR BELL: That is quite right.

Hon. Mr. DESNAIN: Your plans, in any case, would have to be approved by the Department. The question is, would the Department permit such a thing? That is the real question, Mr. Hanson.

MAJOR BELL: Neither the heads that they have nor the heads that the National Hydro will have, will affect the Chaudiere, but there is a proposed scheme that will affect it.

(Mr. WARDL ELLIOT)

Mr. McLEAN (Melfort): I would like to ask Mr. Sifton, if it raised the water at the Chaudiere, would the interests of Canada suffer thereby?

Mr. SIFTON: That is a matter, Mr. McLean, you will have to ask the gentlemen who own the Chaudiere plant. I will say this with regard to the Chaudiere plant; very far from doing the Chaudiere plants any injury, the plans of the canal company, as shown here, show a dam about two miles above the Chaudiere plants, which we will have to build. The Chaudiere plants do not use the entire head of the river at that point. We are providing them free of charge with regulated storage; we increase their minimum flow, and make them a present of it, and we double the value of their property.

Mr. McLEAN (Melfort): Would it not be well to charge them for that?

Mr. SIFTON: I would like to. If you include it in the charter, I would be very pleased to have the authority.

The CHAIRMAN: Mr. Guthrie requests the opportunity of making a statement.

Mr. N. G. GUTHRIE: Needless to say, I appear here with great reluctance, but I could not allow certain statements to pass unchallenged. The International Paper Company, whom I officially represent here as counsel, will be before Parliament again. I do not want the members of this Committee and of the House of Commons, and the public, to get a wrong impression. I am sure that my friend Win. Sifton and his brother have made these statements under a misapprehension.

When the question first came up through Mr. Chevrier I took advantage of my old friendship with Mr. Fred Chevrier to assure him that the opposition of the International Paper Company to this Bill was an absolute myth. I represent them here, and when the matter was first discussed about eight or ten weeks ago I requested instructions, and I was informed by Mr. Graustein and Mr. Montgomery, that the International Paper Company desired to take no part whatever in this Bill. They have not, up to the present moment, opposed the Bill in any way, shape or form, and they are not now opposing it and have no intention of opposing it in the future.

I wish this to go on record so that these statements which have been made, as I have no doubt through a misapprehension of the facts, maybe set at rest once and for all time.

Hon. Mr. DUNNING: What are you going to do with the directors who oppose it?

Mr. GUTHRIE: The directors of the company, of course, have their own personal responsibility. I am speaking officially for the International paper company.

Mr. PARENT: Did you receive any instructions from the International Paper Company to favour the Bill?

Mr. GUTHRIE: No, I did not receive any instructions to favour it, but in the course of conversation an indication was given to me, along the lines which Mr. Win. Sifton suggests, that possibly if Parliament saw fit to grant the charter we would not feel very much displeased with it. If anything, we have no interest in the matter, but if we had any sympathy in the matter it perhaps leaned a little towards Mr. Sifton.

Mr. J. A. RITCHIE: Mr. Chairman, and gentlemen, I am speaking here as counsel for this company, a position which I have occupied for many years, almost from its inception.

There are aspects in this matter which I do not think have been brought before the Committee, and it is a matter that I think might interest you. It

(Mr. J. A. Ritchie.)

has to do with the original inception of this great project—the matter of good faith and national honour.

This veteran bill has been under rather heavy fire for some time. It has been spoken of as the granting of a charter, but the company is not asked for the granting of any charter because that charter was long since granted. It was granted under circumstances which seem to have been overlooked, it seems to me, in the discussions that have taken place. This bill was regarded as being quite innocent for many years, and probably it remained in that state of innocence until latterly when, for some reason or other, it has turned to iniquity. If one reads the newspapers and from what one hears spoken of it. Of course, we all know, or it is said that we are all born in sin, and I suppose it was born in sin. If it was born in sin it had rather respectable parents, and may I point out to you who they were.

The original gentlemen who were the incorporators of this company were very respectable men. Most of them are now dead, but it might interest you to know who they were, since many of you are very young men and do not know much about those old days.

The first name is George Cox. He was once the Mayor of Ottawa.

The next is Mr. Melcod Stewart. He was the chief promoter who had the vision to see this great project and to urge its acceptance upon the people of Canada. He was Mayor of Ottawa also, and is now dead.

The next is Gordon Burleigh Pattee, with whom my friend, Sir George Perley was associated. He and his father were very well known lumbermen here. He is now deceased.

The next is Henry Kelly Egan. Sir Henry Egan was quite a respectable citizen of Ottawa; lately dead.

John W. McRae; a very well known citizen of Ottawa.

Thomas Birkett; once a member of this House.

Olivier Durocher; once Mayor of Ottawa.

Alexander MacLean; once Trade Commissioner in Japan for Canada.

Francis McDougall; now deceased, and who was once Mayor of Ottawa, father of Mr. Joseph McDougall, who represented Ottawa for some years in the Local Legislature.

John Charles Rogers; associated with Mr. MacLean as King's Printer.

Dennis Murphy; head of the Ottawa Transportation Company and a very well known citizen of Ottawa.

Charles Berkeley Powell. This gentleman is also associated with my friend Sir George Perley in the firm of Perley and Pattee. He represented Ottawa in the Local Legislature also.

John E. Askwith; a very well known citizen of Ottawa, and who for many years was our Police Magistrate.

Hon. Francis Clemow; for many years a member of the Senate; now deceased.

Sir James Grant; then a member of Parliament. He was a very eminent physician and attended upon Her Royal Highness, Princess Louise.

Honore Robillard; Member of Parliament at that time.

Thomas Ahearn. Mr. Ahearn is a rather well known citizen. President of the Ottawa Electric Company, and Director of the Bank of Montreal and many other great institutions.

George Patrick Brophy; a well known man at that time.

Alexander Harvey Taylor; a well known man.

Peter Whelan; a very well known resident of Ottawa.

Richard Nagle; David MacLaren; William Scott; Joseph Kavanagh; Philip D. Ross. Mr. Ross was one of the chief proprietors of the Ottawa Journal newspaper.

Mr. EVANS: Have you the addresses of these gentlemen?

Mr. RITCHIE: Well, I cannot tell you of the exact addresses of those who are deceased, but you may be sure that it is either up or down.

Mr. ROSE apparently thought well of this project in those days. Apparently, from reading his Journal, he has seen the light but where that emanates from I cannot say, but of course one can surmise.

Those gentlemen were all of Ottawa. Then there were certain people outside of Ottawa. There was Mr. William C. Edwards; then member of Parliament, and later Senator, of Rockland.

William T. Hodgins; then member of Parliament, of Hazeldean.

Alexander Fraser of Westmount; a very well known lumberman on the Ottawa River.

James Joseph O'Connor of Port Arthur; Arthur Joseph Martin; John Bryson; George H. Macdonnell; Hugh F. McLachlin and Claude McLachlin of Amprior; and so on.

You see, if this measure was born in sin that it certainly had at the opening very respectable parents.

Perhaps in that day there was a touch of iniquity in the charter, although Parliament did not think so because in Clause G of Section 8, the company was then authorized:

To lay out and lease or otherwise dispose of water lots, and use, sell, lease or otherwise dispose of water brought by or for the said canals or works but not requisite for the same, and produce, lease and supply, or otherwise dispose of hydraulic, electric and other kinds of power in connection with the works hereby authorized.

You will see that the power that was then given this company was very wide. Under that I imagine that they would have gone into the power business to any extent they pleased; apart altogether from the canal. In 1912, the Ontario Government and the Hydro, headed by Sir Adam Beck, came down upon one occasion when we were applying for a renewal of the commencement clause in our charter, and after much discussion that was taken out of the charter. The clause has been read to you by Mr. Harry Sifton, but under that, that was the clause by which it was provided that only the surplus hydraulic, electric and other kinds of power developed in connection with and for the purposes of the works hereby authorized should be disposed by the company at rates or prices at or for which such hydraulic and electric power may be disposed of by the company to be fixed or determined by the Board of Railway Commissioners for Canada in accordance with the provisions of Section 360-A of the Railway Act.

This creature of Parliament then, I submit, became free from sin, and if there was any remaining vice left in it, surely the proposals which have been made by the Messrs. Sifton, as to the company not obtaining one dollar for those who are behind the company; that the shareholders in the company cannot obtain one dollar until the whole works are completed, surely it removes any possible vice that may remain in this venture.

The reason I have mentioned these very respectable names, and why I made the remarks about good faith and honour, is because on the faith of this charter the company authorized the late McLeod Stewart to proceed to London, the money market of the world, to obtain capital to further the project. He went there fully authorized on the faith of this charter passed by the parliament of Canada. He interested English capital, and the people that he interested in this matter were people of no mean estate. Amongst those who went into the project and formed the new Dominion syndicate, which is the company which has been reorganized, of which I, myself am a shareholder for some modest fee of my own, but which I apparently will not get until this canal

(Mr. J. A. Ritchie)

is completely finished—I will have to leave my emoluments to my heirs, administrators, executors and assigns, and by my heirs I do not mean heirs of my body, because I have not got any. These gentlemen who were interested, and who put up their money—I will speak of the money they put up later—were men like the late Sir Edward Thornton, who was formerly the British Minister at Washington. There was Sir Fletcher Moulton, then a very distinguished counsel, and afterwards Lord Moulton of the Court of Appeals of London, a very eminent man whose services, because of his knowledge of patents, was used by the British Government during the late war. He is now dead.

There was also Sir Robert Perks. He was a member of the very large contracting firm of C. H. Walker and Company. There was also Mr. C. H. Walker. This firm has been engaged in the construction of very large works all over the world. They constructed works at Buenos Aires, and very many other places.

These men were capable of carrying out this work if they had been given the opportunity of doing so, because this was a matter with which they had been connected all their lives.

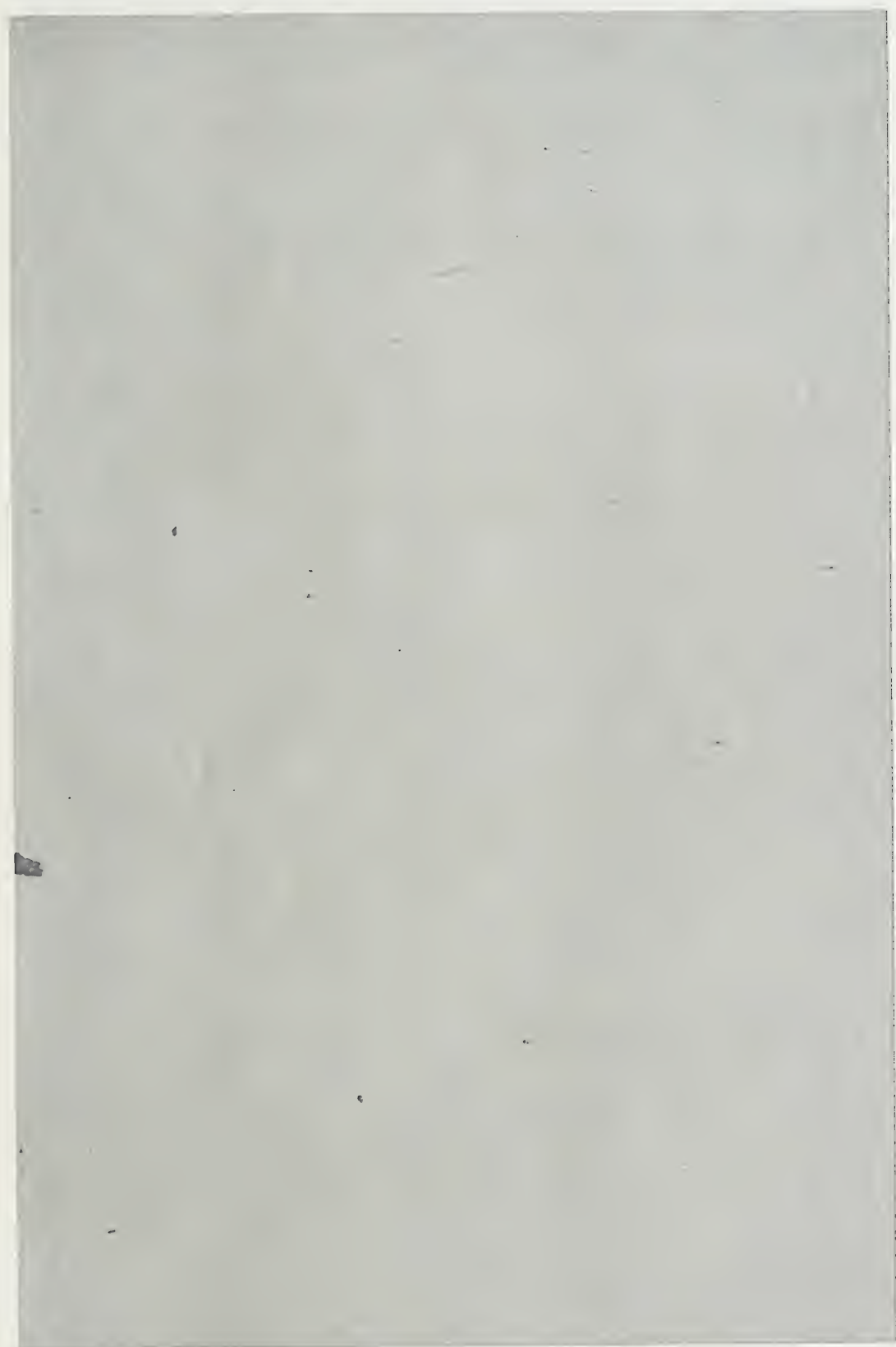
Sir GEORGE PERLEY: You say that these men could have completed this if they had been given an opportunity to do so?

Mr. RITCHIE: I think so.

Sir GEORGE PERLEY: I understand that they had ample opportunity. I would like you to explain what you mean by that.

Mr. RITCHIE: The company has never been given an opportunity to build this canal, from the day it was thought the charter was passed until to-day, because we cannot turn a sod until the Government has approved our plans. In 1907 we filed our plans with the Government; from that day to this no Government has ever said, "your plans are all right," or "they are all wrong." Do you think it is fair to these people who have spent over two millions of dollars on the surveys of the levels and the collection of data connected with this thing, to allow our plans to lay there with this amount of money involved and never say, "your plans are rotten," or "your plans are all right." They do nothing and then accuse us of being in default. Surely, there is no justice or righteousness in that.

The Committee adjourned until 11.00 o'clock a.m. April 7th, 1927.



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SESSION 1926-27
HOUSE OF COMMONS

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UNIVERSITY OF TORONTO

SELECT STANDING COMMITTEE ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Bill No. 78—An Act Respecting the Montreal, Ottawa and
Georgian Bay Canal Company

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3—THURSDAY, APRIL 7, 1927

WITNESSES:

Mr. J. A. Ritchie, counsel for Montreal, Ottawa and Georgian Bay Canal
Company
Major Bell, Deputy Minister of Railways and Canals
Colonel Arthur E. Dubuc, Chief Engineer, Department of Railways and
Canals
Mr. C. R. Coutlee, Engineer, Department of Public Works

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1927

MINUTES OF PROCEEDINGS

THURSDAY, April 7, 1927.

The Committee met at 11 a.m., Mr. Young (Saskatoon), Acting Chairman, presiding.

Present: Messrs. Anderson (Halton), Anderson (Toronto-High Park), Arthurs, Auger, Bell (St. Antoine), Bell (St. John-Albert), Bettez, Blatchford, Bothwell, Bourgeois, Bowen, Bradette, Brown, Caban, Cantley, Casgrain, Casselman, Charters, Cotnam Cowan, Donnelly, Dubuc, Duñ, Dunning, Dussault, Edwards (Waterloo South), Embury, Esling, Evans, Fafard, Fansher (Lambton East), Fansher (Lost Mountain), Fraser, Gardiner, Geary, Gershaw, Girouard, Glen, Goodison, Hanson, Harris, Heaps, Hepburn, Hocken, Howard, Howden, Joliff, Jones, Kay, Kellner, Kennedy, Lacroix, Laflamme, Lanctot, Lavigne, Latellier, Lovie, Lucas, Luehkovich, MacDonald (Cape Breton South), MacDonald (Kings), MacLaren, MacLean (Prince), McIntosh, McKenzie, McLean (Melfort), McPhee, Maloney, Matthews, Maybee, Millar, Milne, Parent, Perley (St. George), Pettit, Pouliot, Price, Rennie, Ross (Moose Jaw), Rowe, Ryerson, St. Pere, Sanderson, Simpson, Smith (Cumberland), Smith (Stormont), Spence (Maple Creek), Stevens, Stewart (Leeds), Stirling, Sylvestre, Taylor, Totzke, Tummon, Vallance, Ward, Wilson (Wentworth), Young (Saskatoon), Young (Toronto-Northeast), Young (Weyburn)—100.

Mr. Winfield Sifton filed a list of the stockholders of the Montreal, Ottawa and Georgian Bay Canal Company.

Mr. J. A. Ritchie, counsel for Montreal, Ottawa and Georgian Bay Canal Company, was recalled and again heard by the Committee.

Witness retired.

Major Bell, Deputy Minister of Railways and Canals, was called and examined.

Witness retired.

Colonel Arthur E. Dubuc, Chief Engineer, Department of Railways and Canals, was called and examined.

Witness retired.

The Committee took recess at 1 p.m.

The Committee resumed at 3.30 p.m.

Colonel Arthur E. Dubuc was recalled and further examined.

Witness retired.

Mr. C. R. Coutlee, Engineer, Department of Public Works, was called and examined.

Witness retired.

The question being put on the Preamble, it was negatived.

On motion of Mr. Sanderson:—

Resolved:—That the Committee report to the House that it would be contrary to the public interest to grant the prayer of the petitioners.

On motion of Mr. Parent:—

Resolved:—That the Committee recommend to the House that the fees and charges paid on Bill No. 78, An Act respecting the Montreal, Ottawa and Georgian Bay Canal Company, be refunded, less the cost of printing and translation.

The Committee adjourned at 4.55 p.m. until to-morrow at 11 a.m.

MINUTES OF EVIDENCE

COMMITTEE ROOM 231,

HOUSE OF COMMONS,

THURSDAY, April 7, 1927.

The Select Standing Committee on Railways, Canals and Telegraph Lines met at 11 o'clock A.M., Mr. Young (Saskatoon), Acting Chairman, presiding.

The CHAIRMAN: Gentlemen, one of the members at the last meeting of the Committee asked Mr. Sifton for a list of the stockholders in this Montreal, Ottawa and Georgian Bay Canal Company. He agreed to supply that list, and he has handed it to me this morning. I will have it placed on the record.

" April 7th, 1927.

	Shares	
Great Lake Securities Corporation, Limited.....	99,809	\$ 9,980,900
N. A. Belcourt.....	20	2,000
H. C. Graves.....	20	2,000
B. R. Hepburn.....	20	2,000
H. B. Hausser.....	20	2,000
Paul Leduc.....	20	2,000
K. F. MacLaren.....	20	2,000
E. R. McNeil.....	20	2,000
W. B. Sifton.....	20	2,000
G. W. Volckman.....	20	2,000
G. V. White.....	20	2,000
	100,009	\$10,000,900

Ten per cent paid up in cash on all of these shares total \$1,000,090."

The CHAIRMAN: I will now call upon Mr. Ritchie.

J. A. RITCHIE recalled.

Mr. RITCHIE: Gentlemen, I have good news for you; I shall be very short. I wish to put on record the position of the Maritimes, when this canal is built; that is, from our point of view. (Reading):

1. It is axiomatic at the present time that one of the greatest problems which Canada, as a whole, has to face, is the economic condition of the Maritime Provinces and the consequent growing divergence of interest between them and the rest of Canada. The Dominion, as a whole, must find means to counteract the existing conditions and tendencies, and nothing could be more efficacious for this purpose than the construction of the Georgian Bay Canal.

2. *In industry, ore goes to coal*—(1) The iron of Minnesota goes to Pittsburg where the ore is smelted, and there creates the industry, wealth and population of Pennsylvania, including Philadelphia, its ocean port;

(Mr. J. A. Ritchie)

(2) Nickel from Sudbury, iron from Sweden and Newfoundland, tin from Malay States and complex metallic ores from all over the world go to South Wales, where the coal is mined, to be smelted, and there creates that vast industrial machine upon which so much of England's wealth, industry, commerce and population is based:

(3) Metallic ores from all over the world go to the Ruhr, to Belgium and to Northern France to be smelted because the coal is there, and the war and everything which has occurred since has made the size and importance of the industrial development in that area familiar to all.

And in all these cases, the mineral ores go to the particular places because the ore can be brought to the coal by water.

3. *Bearing in mind these salient facts*—(1) The vast amounts of metallic ore of every kind which are being opened up and made available in our North Country:

(2) The Georgian Bay Canal will bring continuous deep-water navigation almost to mine-head.

(3) That of all coal mines, those of Nova Scotia are the closest and the most convenient, are in the same country and the cheapest to get to and from our mining country; it is clear that the construction of the Georgian Bay Canal will mean that inevitably a new South Wales, a new Ruhr, a new Pittsburgh will develop in Cape Breton, with all that this implies.

(4) In considering the practical working out of the above effects of the Georgian Bay Canal on the position and future of the Maritime Provinces, a fundamental factor is the question of return cargoes for freight boats.

Nature abhors a vacuum, and in no particular instance is this more permanently true than in regard to freight cargoes.

Whenever a cargo route exists which requires and makes it profitable for ships to carry freight in one direction, freight of some kind, at some price, will develop in the other. Conversely, where profitable freight exists or can be created in both directions, nothing short of a complete naval blockade will stop it from being carried.

Now, when we come to apply these general fundamental rules to the particular problem which we are considering, what do we find? We find in Nova Scotia, coal and iron and steel products in any desired quantity, which require to be carried to market. And the market is in Central Canada along the route of the Georgian Bay Canal. Thus the westbound cargo is available. At the other end, we have metallic ores, which must go to coal, and wheat which must go to market. So the eastbound return cargo is available. On analysis, ships which carry coal and iron as far west as North Bay will carry ore back. Ships which carry coal as far west as Port Arthur will carry wheat back.

(5) It is just as cheap to tranship wheat at Halifax or Sydney as it is at Montreal or Quebec. It is just as cheap to mill wheat into flour at Halifax as it is at Montreal or Port Colborne. Halifax has great advantages in the export of flour to the West Indies and South America, where an established export market of 9,000,000 barrels per annum already exists. Because coal goes from South Wales to the Plate, wheat goes back from the Argentine to South Wales. Based on return cargoes, and nothing but return cargoes, Cardiff and Bristol are the greatest flour milling ports in Great Britain, and for exactly the same reason, the Georgian Bay Canal will make the Maritime Provinces one of the great flour milling and wheat exporting areas of Canada.

(Mr. J. A. Robson)

(6) Thus with the construction of the Georgian Bay Canal, all the forces and tendencies which have worked against the Maritime Provinces in the last few years will be reversed or overcome. Instead of trade with the rest of Canada decreasing, it will increase. Instead of the Maritime's markets in the rest of Canada shrinking, they will be opened out and will grow. Instead of progressive industrial and economic decay, there will be development. Instead of the children of the Maritimes leaving to find employment elsewhere, they will stay at home and get rich and population will have to be augmented by large immigration to work in the growing industries.

(7) The fundamental economic interests of the Maritimes will approach closer and closer to those of the rest of Canada. Sectionalism in the Maritime Provinces will disappear. The problem of the Maritimes will be solved.

Mr. YOUNG (Weyburn): Who signed that?

Mr. RITCHIE: That is a statement made by myself as counsel, to be put into the record, but I may say that I did not prepare it, to be quite honest. If you will bear with me, so much has been said that I thought it would be advantageous to have a summary of the position that has been so far taken.

Mr. HANSON: Is the statement that you have just read the statement that was sent to members of Parliament some weeks ago?

Mr. RITCHIE: I cannot answer that. I certainly did not send it to them. However, it will be here in the record; it is being printed now, so the public at large will be able to obtain copies and so will be enlightened in reference to this great project, as to the position taken by the Maritimes. I am a Maritime man myself, and so I take some interest in the matter. I have prepared a short statement which I think it will be advantageous to put on record. It is the position of the company, summarized.

Montreal, Ottawa and Georgian Bay Canal Company

Primarily, we ask no money or guarantee of any kind whatsoever.

1. *Powers*.—(a) Construct and operate a deep draught, all-Canadian Canal.

(b) Develop and sell incidental hydro electric power.

2. *Safeguards*.—(a) Construction according to detailed plan which must be approved by the Government.

(b) Tolls for navigation to be set by Railway Commission.

(c) Price of power to be set by the Railway Commission.

(d) Government can take over works at any time on seven days notice, therefore, this work may be turned into a public ownership enterprise at any time when the people's representatives so desire.

(e) No possibility of profit to promoters until through navigation is established and after that only such reasonable profit as the Railway Commission shall from time to time allow.

3. *Provincial Rights*.—(a) All power must be marketed in Ontario and Quebec. (No other market).

(b) Provinces have undisputed control of distribution within their territory and may tax it on distribution if they so desire.

(c) Highly improbable that Provinces have any legal rights to interfere with canalization and development and sale of incidental power on the Ottawa River.

(d) The Ottawa River waterway belongs to all the provinces of the Dominion.

(Mr. J. A. Ritchie.)

4. *Submission of the Canal Company.*—(a) The Company is not in default and is entitled in ordinary equity and by precedent to an extension of time.

(b) The Company is not opposed to public ownership in any way and should the Government choose, at any time, to develop this waterway the Company would be glad to co-operate and to facilitate the undertaking in every way.

(c) If the Government are not prepared to construct this waterway as a national enterprise then the Company submits that they should be enabled to proceed with a clear title.

The Renewal of this Charter will Result in the Bubbling of the Canal.

The construction of the Georgian Bay Canal will (A) Connect the Great Lakes with the Atlantic by an All-Canadian Deep Waterway.

(B) It will be built by private enterprise and will not cost the public a cent;

(C) It will cause hundreds of millions of dollars to be spent in Canada immediately for actual construction work.

(D) It will create no new vested interest, but a competitive enterprise to the present monopoly;

(E) It will at one stroke build up Montreal from its existing position as one of the outlets for 7,000,000 people to being the ocean port for 40,000,000 people;

(F) You may imagine the enormous new shipping business in the Lower St. Lawrence, the improvement to Quebec City, Three Rivers, Sorel and all such towns;

(G) It will create hundreds of miles of new ocean harbour frontage in the heart of Canada;

(H) It will go a long way towards solving the freight rate problem for Winnipeg and the whole of the Middle West;

(I) It will reduce the freight on wheat from Port Arthur to Montreal by at least three cents and possibly as much as five cents a bushel;

(J) It will carry Nova Scotia coal as far west as Port Arthur in ships which will carry return cargoes of wheat for export from Maritime Ports and the Minerals of the north for smelting with Nova Scotia coal at Sydney;

(K) It will give cheap transportation to the mining belt and make the towns of Lake Temiskaming ocean ports;

(L) It will eliminate Buffalo as a point where Canadian Trade is held for the benefit of the North Atlantic ports of the United States;

(M) It will make large supplies of hydro-electric energy available at low cost;

(N) It will contribute substantially to the solution of Ontario's coal problem;

(O) It will make Ontario and Quebec the greatest industrial and commercial area on the North American continent.

(P) Canada will forever own and hold the sole control of this great waterway.

Now, gentlemen, permit me a final word and I am through. You all know that we are not the only people on this continent. We have a great neighbour just next door, and it is perfectly apparent, from the newspapers, that they are greatly interested in the development of the St. Lawrence Waterway, and

that very considerable pressure is now being put upon Canada to enter into negotiations with that great people—7,000,000 people with 110,000,000 people—to become partners in that great enterprise. I suggest to you that the mere existence of this Georgian Bay Canal Company as an organization is of value to Canada at the present time. I suggest that pending and during these negotiations, which must inevitably come, the Canal organization should be allowed to remain where it is, and that it will be of benefit to Canada that it should be so.

I thank you, Mr. Chairman and gentlemen, very much.

The CHAIRMAN: Have the promoters of the Bill any further submissions to make?

Mr. WINFIELD SIFTON: No, we have nothing more, Mr. Chairman.

Hon. Mr. DUNNING: Mr. Chairman, I would like to call Major Bell, the Deputy Minister of Railways and Canals, for the purpose of getting some information before the Committee with respect to the Ottawa River.

MAJOR BELL called.

Hon. Mr. DUNNING: Perhaps the Committee will permit me to open the questioning. Any other member can do as he wishes.

WITNESS: Mr. Chairman, yesterday, Mr. Hanson asked a question. He asked if the elevation, as I understood him, of 104 would affect the Chaudiere here. As a matter of fact, the question was, would an elevation of 140 affect it. My answer is that 140 will affect it.

Mr. HANSON: To what extent?

MAJOR BELL: About ten feet.

Mr. HANSON: That is, it will reduce the head of the Chaudiere by about 10 feet.

MAJOR BELL: Yes.

Hon. Mr. DUNNING: Major Bell, with respect to the statements made by the previous witnesses with regard to the submission from time to time of the plans of the Georgian Bay Company for approval, will you please describe to the Committee the relationship of the Department of Public Works and the Department of Railways and Canals, to this matter and all that occurred with respect to the submission of plans.

MAJOR BELL: I can only answer as to our own Department.

Hon. Mr. DUNNING: It is a fact that the river is divided, is it not, Major? So far as the Department of Railways and Canals is concerned, is it not a fact that we are only concerned up as far as Ottawa to Montreal?

MAJOR BELL: As far as Ottawa, because the river is canalized up this far from the St. Lawrence.

Mr. W. SIFTON: Is that ten foot reduction head at the Chaudiere merely applicable to a reduction in the low water head?

MAJOR BELL: Yes.

Mr. W. SIFTON: It is correct to say that the permanent level established by the proposed Carillon dam would maintain the level at what is now the high water level?

MAJOR BELL: You had better ask those questions of the Engineering Department.

Mr. W. SIFTON: It is not an all the year round reduction?

MAJOR BELL: No.

[Major Bell.]

MR. W. SIFTON: It is a temporary reduction of the extra head which they acquired at low water periods?

MAJOR BELL: Yes.

HON. MR. DUNNING: I wanted the committee to be clear that two Departments are interested. Will you make that clear, Major?

MAJOR BELL: The Department of Public Works made the original surveys for the Georgian Bay Canal. They were never put into effect; the canal was never built. The Department of Railways and Canals have a connection between Ottawa and the St. Lawrence by way of the Carillon-Grenville canal, and the Ste. Anne's locks, and for that reason any work that takes place between Ottawa and Montreal we are interested in, and plans had to be filed with both Departments. I may say that we never considered these plans seriously, because they were just ordinary plans, with a lock marked here and a dam some place else. I think we have one of the plans here.

MR. W. SIFTON: Have you any record of having intimated to us that there should be any alterations, modifications, or additions made to these plans, before you would consider them as such?

MAJOR BELL: Personally, no, but I understand that a representative of the Georgian Bay Canal Company was told verbally.

MR. W. SIFTON: By whom? What representative and told by whom?

MAJOR BELL: Mr. Volckman—

MR. W. SIFTON: Who told him and when?

MAJOR BELL: In the Engineering Department—I think they can explain that.

MR. W. SIFTON: You have no information on that?

MAJOR BELL: No. Here (indicating) is one plan which gives you an idea of what they did. They took an ordinary plan, and there is no detail on it at all.

MR. CHEVRIER: Did you make any objection to the one they submitted?

MAJOR BELL: No; never paid any attention to it.

MR. CHEVRIER: Why not?

MAJOR BELL: I did not think it was necessary; we did not think they were serious.

MR. CHEVRIER: You did not think who was not serious?

MAJOR BELL: The promoters, when they filed the plan.

MR. CHEVRIER: Did you ever tell them about it?

MAJOR BELL: No.

MR. W. SIFTON: Major Bell, do you seriously suggest to this committee that when I was coming in weekly, or every two weeks, and interviewing the members of this government, the Cabinet Ministers, asking why our plans were not being passed, urging that they be passed, and asking what the trouble was—do you seriously suggest that you did not pay any attention to me, that the Department ignored me, and in these interviews, when I talked to them for an hour or an hour and a half at a time, that ordinary fairness was not given to me personally?

MAJOR BELL: Did you ever ask me—

MR. W. SIFTON: I asked Mr. Dunning; I asked Dr. King, the Minister of Public Works at the time; I asked the Prime Minister. I was not referred to you.

HON. MR. DUNNING: Mr. Chairman, I think I ought to interject there that, so far as I personally am concerned, I always informed the promoters that my engineering advisors did not regard the plan as sufficient.

(Major Bell.)

Mr. CHEVRIER: Just on that point if the engineers did not regard them seriously, did they ever at any time communicate that information to the interested parties?

Major BELL: Not in writing—I believe not.

Mr. HANSON: How about the head—

Mr. CHEVRIER: Just a moment. I have the right to ask the question, as the committee has extended to me the courtesy of asking questions. Did the government at any time, in any manner whatsoever, ever intimate to this company that these plans were not being considered seriously?

Major BELL: I cannot tell you that; I can only answer for myself.

Mr. CHEVRIER: At all events, you did not communicate it?

Major BELL: No.

Mr. CHEVRIER: Do you know whether anybody else has?

Major BELL: No, except that I understand verbally it was intimated they were not satisfactory.

Mr. CHEVRIER: There is nothing in your Department to show that that was ever communicated?

Major BELL: Nothing in writing.

Hon. Mr. DUNNING: Were there or were there not conferences between our departmental engineers and the engineers representing the company?

Major BELL: I understand that, from time to time, the company's engineers were in. However, the chief engineer can confirm that.

Hon. Mr. DUNNING: We will call the chief engineer on that point.

Mr. CHEVRIER: Let us find out from someone who knows, and not create a false atmosphere here.

Mr. FANSHER (Last Mountain): Might I ask if the promoters furnishing these maps to the Department considered that these maps were complete?

Discussion followed

Mr. HANSON: Regarding the head of the Chaudiere; under present conditions how long is the high water head maintained at the present time?

Major BELL: I suggest you ask that of the Engineering Department.

Hon. Mr. DUNNING: We will call the Chief Engineer, when Major Bell has finished. If there is no one else who desires to ask questions on that point, I would like you to give the committee some information regarding the existing leases on the Ottawa River, so far as those leases were granted by the Department of Railways and Canals. What leases are existent, granted by this Department only?

Major BELL: Really, only one lease is in existence. That is the lease of 1921 at Carillon, and if that were to lapse on the 1st of May, then the old lease for 250 horse-power would be the only one remaining.

Hon. Mr. DUNNING: The 250 horse-power would be the only one remaining, providing the lease which expires on the first of May is allowed to lapse on that date?

Major BELL: Yes, sir.

Hon. Mr. DUNNING: Regarding the 1921 lease, give the committee the information as to the date when that was executed.

Major BELL: December 1st, 1921.

Hon. Mr. DUNNING: What were the terms of it, briefly?—Summarize the terms.

(Major Bell.)

Mr. HANSON: What is the name of the lessee?

Hon. Mr. DUNNING: Mr. Hanson asks for the name of the lessee.

MAJOR BELL: The National Hydro Electric Company Limited.

Mr. McLEAN (Melfort): Major Bell, was that the first time that that lease was granted?

MAJOR BELL: In 1921, yes. 1911 was the original lease on that dam, but it was only for 250 horse-power.

Mr. McLEAN (Melfort): But this was the first one?

MAJOR BELL: That was the first one.

Mr. BROWN (Lisgar): Who were the lessees for the 250 horse-power?

MAJOR BELL: The same company.

Hon. Mr. DUNNING: Major Bell, in order that the committee may be clear on one point: the present works at Carillon were built by the Department of Railways and Canals, were they not?

MAJOR BELL: Yes.

Hon. Mr. DUNNING: The head of water used under the 250 horse-power lease is the head of water developed from works created by the Department?

MAJOR BELL: Yes and are there at the present time.

Hon. Mr. DUNNING: And they are still there at the present time?

MAJOR BELL: Yes.

Hon. Mr. DUNNING: That is in conformity is it not, with the general practice of the Department in the provinces of Ontario and Quebec?

MAJOR BELL: All over, sir.

Hon. Mr. DUNNING: That is to say, the Department builds the works for canal purposes, creates thereby a head of water which it leases for power purposes?

MAJOR BELL: In every case.

Hon. Mr. DUNNING: That is true all through Ontario and Quebec?

MAJOR BELL: That is true on the Welland, the St. Lawrence, the Trent Valley, and all our canals.

Hon. Mr. DUNNING: Have representations been made at any time by either the province of Ontario or the province of Quebec that it is improper for the Dominion to dispose of power created by the erection of Dominion canal works?

MAJOR BELL: No, sir. On the Trent canal, they practically recognized the principle that we have the right, by leasing the power from us.

Hon. Mr. DUNNING: Power created by our own works?

MAJOR BELL: Power created by our own works, which would not have been available had we not built the canal.

Hon. Mr. DUNNING: I think it is important that the committee get information as to what the departmental practice has been.

Mr. ARTHURS: What is the total horse-power so sold—that is, leased to the Hydro or any other party?

Hon. Mr. DUNNING: You mean on the canals, Colonel Arthurs?

Mr. ARTHURS: Yes.

Hon. Mr. DUNNING: I may say that a return was tabled this session covering every lease. I do not know whether we have it here; possibly the Major may have, but if not, there is a return tabled, giving all the particulars.

MAJOR BELL: It is very hard to pick out the total horse-power, for in a great many cases the lease reads, "all surplus power," and a lump sum is named

in other cases; so much per horse-power. We are gradually trying to get them on a basis where we charge so much per horse-power, but some of the old leases are still for the surplus water-power and a lump sum. So I cannot give you the total horse-power.

Subject to correction, the price on the Welland Canal is \$6 per horse-power; on the Trent Canal it is \$4; and on the St. Lawrence, \$6. There are a great many leases, some perpetual and some that have very long terms, and they have not been corrected. That is the charge we make, with the exception of municipalities, who gets about a third off.

MR. W. SIFTON: Do any of these Carillon leases, to your knowledge, provide for regulation by the Railway Commission, or any other authority under the control of the Parliament of Canada, of the prices at which these lessees who get this power are permitted to sell it to the public?

MAJOR BELL: No; as I remember, in the 1921 lease, it is not provided.

MR. W. SIFTON: Does the 1911 lease, the underlying lease, provide that?

MAJOR BELL: No.

MR. W. SIFTON: Can you tell me if any of these leases contain a clause such as is contained in the Georgian Bay Canal charter, under which the Government can re-enter into possession without the payment of any damages whatsoever?

MAJOR BELL: No, except at the end of the lease.

MR. W. SIFTON: Except at the end of the lease; but during the currency of the period there is no provision for re-entering?

MAJOR BELL: No.

MR. W. SIFTON: Is it the case that under the existing form of lease used by your Department, a company that comes along to you and leases the right to develop power by the payment of tolls, these lessees secure this power and any unearned increment in the value of that power, it is entirely in the hands of the lessee that pays the tolls?

MAJOR BELL: Naturally.

MR. W. SIFTON: He pays the tolls at a certain amount, and if it goes up in price he makes money?

MAJOR BELL: Yes.

HON. MR. DUNNING: I was referring to the principle which appears to be established since Confederation, according to your evidence, that when the Dominion, by canal works, create a head of water, whatever revenue accrues from that head of water is properly payable to the Dominion?

MAJOR BELL: That is quite correct; it has not been challenged.

HON. MR. DUNNING: No province has ever challenged that?

MAJOR BELL: The Hydro did for a time.

HON. MR. DUNNING: What Hydro?

MAJOR BELL: The Ontario Hydro.

HON. MR. DUNNING: The Ontario Hydro did for a time?

MAJOR BELL: As I remember it, they did not make any very formal protest, but they held back while they were looking into it, and they finally paid it.

HON. MR. DUNNING: They finally paid the rental?

MAJOR BELL: Yes.

HON. MR. DUNNING: To the Department of Railways and Canals?

MAJOR BELL: To the Department of Railways and Canals.

(Major Bell.)

Hon. Mr. DUNNING: But in every other case, where such lease exists, the works have been constructed by the Dominion?

MAJOR BELL: Yes, or purchased; in some cases we have taken over works.

Hon. Mr. DUNNING: Taken over the existing works?

MAJOR BELL: Yes.

Hon. Mr. DUNNING: With reference to this 1921 lease: my understanding is that the 1921 lease departed from that principle, in that it permitted the lessees to erect works for the creation of a head of water?

MAJOR BELL: Yes.

Hon. Mr. DUNNING: That 1921 lease, then, was the only case up to that date where the Department of Railways and Canals had entered into that kind of a lease?

MAJOR BELL: I do not know of another case.

Hon. Mr. DUNNING: No other case; in all other cases the Department itself created the works which produced the head of power?

MAJOR BELL: Correct, sir.

Hon. Mr. DUNNING: But in the 1921 lease—I asked you for the terms of it, when someone interrupted—there is a very important point of principle involved there.

MAJOR BELL: By this lease was demised: (a) The lands and rights demised by the first lease, that is, the lease of 1911. (b) Other lands, of approximately 1,900 acres, to be expropriated by the Crown. (c) The right to construct, et cetera, a new dam and use all the surplus water to elevation 120 at the low dam.

Mr. HANSON: What is the exact date of the 1911 lease?

MAJOR BELL: March 31, 1911.

Hon. Mr. DUNNING: That is not the lease under discussion, Major, it is the 1921 lease?

MAJOR BELL: It is the 1921 lease. The 1921 lease governs unless it is not renewed; in that case the 1911 lease is still in effect.

Hon. Mr. DUNNING: The point I am trying to get clear before the Committee is that the original 1911 lease—I want you to tell me if this is wrong—that the 1911 lease leased water created by works erected by the Dominion?

MAJOR BELL: That is correct, sir.

Hon. Mr. DUNNING: The 1921 lease enlarged and widened the scope of the 1911 lease, by allowing the lessees to build works of their own?

MAJOR BELL: That is correct, sir.

Hon. Mr. DUNNING: And that was, up to that time, the first occasion on which the Department of Railways and Canals had entered into a lease permitting the lessees to erect works, as distinct from using water created by the Department's works?

MAJOR BELL: That is the first time.

Mr. GEARY: The Department's works were all canals, were they?

Hon. Mr. DUNNING: Yes.

Mr. GEARY: Nothing but canals?

Hon. Mr. DUNNING: I am speaking of canalization.

Mr. PETTIT: What is the date of the lease?

MAJOR BELL: First December, 1921.

Mr. GEARY: Your point is that this Carillon lease was not a canal lease?

(Major Bell.)

Hon. Mr. DUNNING: No. I am trying to bring out the history of this development, both as between the Dominion and the provinces, and also as to departmental practice normally and the practice which was followed in this case. That is what I am trying to get before the Committee. There are two very important principles involved: One is, that the provinces have never contested the right of the Dominion to the revenue from water produced by the Dominion in canal works; and that is a very important point, I think. The second is, that this 1921 lease for the first time went beyond that principle, and permitted for the first time lessees from the Department of Railways and Canals to erect their own works and produce their own head of water.

Mr. GEARY: Without reference to a canal at all?

Hon. Mr. DUNNING: It has no reference to a canal, Major? -

MAJOR BELL: Oh, yes. In building that dam they were bound to destroy our existing canal works, so they were to rebuild those canal works; that is, there was a lock that had to be built.

Mr. W. SIFTON: What size, may I ask?

MAJOR BELL: Nine foot.

Mr. W. SIFTON: They were to rebuild a nine foot canal in consideration of a dam across the river, constructed by the Government?

MAJOR BELL: No, they paid for the horse-power.

Mr. W. SIFTON: Plus the toll?

MAJOR BELL: Yes.

Mr. W. SIFTON: It was only a nine foot canal?

MAJOR BELL: At that time we did not think it worth while.

Hon. Mr. DUNNING: The 1921 lease permitted the lessee for the first time, so far as the Department of Railways and Canals were concerned, to erect their own works, and create thereby a head of water?

MAJOR BELL: That is right.

Hon. Mr. DUNNING: Previous to that time, the Department had always erected the works and merely disposed of the surplus water?

MAJOR BELL: That is correct.

Hon. Mr. DUNNING: And no province had ever objected, although you make the qualification that the Ontario Hydro looked into the matter, but finally decided to pay for the surplus water produced?

MAJOR BELL: I had better qualify that, Mr. Dunning; there always has been some objection. I do not know that we have felt that in our Department, but probably the Department of Justice has, as to just who has the control in certain rivers, whether it is the province or the Dominion. It is rather a fine question, but they have never directly, in my day, protested to our Department.

Mr. JELLIOT: May I ask the Minister, whether, owing to this change, and the construction of new works, the Dominion has the proprietary right in the new works?

Hon. Mr. DUNNING: Well, we have hardly reached that point yet. The Dominion's contention is that if the Dominion erects works for canalization, and thereby develops a head of water, the Dominion is entitled to the revenue from the head of water so created; that is the Dominion's contention. The Dominion, in creating a canal, is creating a service which is rendered free to the people; the power being the only source of revenue.

Mr. GEARY: The 1921 lease was a lease, according to your statement, of certain rights to develop a head of water?

Hon. Mr. DUNNING: Yes.

[Major Bell.]

MR. GEARY: The 1921 lease provided for the construction of a canal, and in the same document provided that the power developed through the construction of the canal should be demise?

MAJOR BELL: Possibly I had better explain.

MR. GEARY: It is just a matter of the Department, at that point, making a lease of the power at the same time as it undertakes the construction of the canal?

MAJOR BELL: At the Carillon at the present time there is a lock which has a capacity of carrying a vessel with a nine foot draught. There is also a dam there which develops about 250 horse-power. We leased in 1911 that 250 horse-power to the National Hydro Company. In 1921 they came to us and they said, "We would like to develop that water-power at Carillon. We consider, by building a dam using the river here and all the way up to Ottawa for poundage, that we could develop a very attractive water-power. In doing that we will drown out your canal, and we want to sit down and bargain. We will rebuild that canal for you. We will pay you so much per horse-power or pay you a total amount." We sat down, and the result of the discussion was the 1921 lease.

MR. BROWN: When you speak of drowning out that canal, that means that they simply agreed to make the changes necessary brought about by the larger canal?

MAJOR BELL: Yes.

MR. BROWN: It did not create a canal of greater draught?

MAJOR BELL: No. In the past, when any water-powers were leased, we built the canal first. The purpose would be to canalize a river, and we would possibly have to put in a dam. By that dam there would be a water-power created, and we sold that water-power. In this case the dam was built for the purpose of developing water-power only, and they had to replace our lock.

MR. BROWN: But my point is: was there a canal of any greater capacity created by this change?

MAJOR BELL: No. We did not think it was necessary at the time. If we did we should have had to change the lock below.

MR. GEARY: Your construction of the transaction is that in 1921 the water-power by itself, so to speak, was leased?

MAJOR BELL: Yes.

MR. GEARY: And that before 1921, the water-power developed by the canal and incident to the development or building of the canal, was leased?

MAJOR BELL: Yes.

MR. GEARY: And this constitutes a change in your practice?

MAJOR BELL: That was the point the Minister wanted.

MR. W. SIFTON: In regard to the statement which you have just made, I have in my hand here a copy of the Minute of the meeting of the Privy Council, approved by His Excellency the Governor General on the 26th August, 1926, and in that it refers to a lease of the 1st December, 1921, in the preamble of the Minute of the Privy Council, which states: "Which lease provided for the furnishing by the Company at no cost to the Government of greatly improved canal facilities in the Ottawa River."

MAJOR BELL: That is quite right.

MR. W. SIFTON: What was the improvement, if it was simply replacing what they had drowned out?

(Major Bell)

Major BELL: The dimensions of the old and new lock were two hundred by forty-five by nine feet.

Mr. W. SIFTON: Major Bell, you have an old lock down there which is pretty nearly played out and you get it completely replaced by a modern up to date lock.

Hon. Mr. DUNNING: I wonder if I could carry the Major on through these leases, Mr. Chairman.

Major BELL: And it cut off three locks at Grenville.

Mr. GEARY: There is no addition of water for canalization.

Major BELL: No, it cut off three locks.

Mr. HANSON: It would not allow any vessels of any larger draught.

Major BELL: No, there was no need to make a greater depth unless you were going further down and canalizing further below and carrying it up here.

An Hon. MEMBER: If we could only allow Mr. Bell to make the statement without asking too many questions.

The CHAIRMAN: Mr. Dunning is going to ask the Deputy Minister in regard to the practice of the Department. Afterwards, if anyone wishes to ask questions on that matter an opportunity will be given.

Mr. GEARY: It is useful to clean it up as we go along.

Hon. Mr. DUNNING: Up to now, I do not think it has cleaned it up; there is such a variety of questions. The question I was after was the old point of the difference in policy inaugurated in 1921. The policy was inaugurated of allowing lessees to erect works, of re-erecting our works, and securing the benefit of the head of water, and that was the difference between the 1921 lease and any lease which preceded it.

Major BELL: That is correct, sir.

Hon. Mr. DUNNING: The 1921 lease, if developed, would develop how much horse-power?

Major BELL: Our estimate is that an elevation of 133 feet,—this is 120,—440,000 horse-power could be developed, on the 133 level.

Hon. Mr. DUNNING: Under that lease the lessees were compelled to submit their plans for approval?

Major BELL: Yes.

Hon. Mr. DUNNING: Did they so submit them?

Major BELL: Yes, sir.

Hon. Mr. DUNNING: What was the attitude of the Department towards the plans submitted—were they ever approved?

Major BELL: That is the duty of the Chief Engineer and he will tell you about them.

Hon. Mr. DUNNING: That lease expired when—2006, was it not?

Mr. GEARY: Did you speak of the second lease, sir?

Hon. Mr. DUNNING: I did not.

Major BELL: 2006, sir.

Hon. Mr. DUNNING: When was the work to commence, under the terms of the lease?

Major BELL: Within a year from the signing of it.

Hon. Mr. DUNNING: Was anything done?

Major BELL: No, sir.

Hon. Mr. DUNNING: Was anything done up to 1926?

[Major Bell]

Major BELL: No, sir, not that we know of.

Hon. Mr. DUNNING: Now we come to the 1926 lease.

An Hon. MEMBER: There were renewals, of course, in the meantime.

Hon. Mr. DUNNING: How many renewals—how many times?

Major BELL: The first supplemental grant dated September 17th, 1923; by supplemental agreement dated September 18th, 1925; by supplemental agreement dated November 4th, 1925; by supplemental agreement dated November 29th, 1926.

Hon. Mr. DUNNING: These were all just straight extensions of time, were they not, Major?

Major BELL: No, sir.

Hon. Mr. DUNNING: What one was not a straight extension of time?

Major BELL: I do not believe that is marked here—the one in August, 1926.

Hon. Mr. DUNNING: The one of August, 1926, was the only one which varied from the terms of the original 1921 lease.

Major BELL: Yes, sir.

Hon. Mr. DUNNING: Now, just tell us, will you, Major, the point on which the 1926 lease changed the lease of 1921? What are the differences?

Major BELL: The supplemental agreement, dated August 31st, 1926, and based on Order in Council of August 26th, 1926, purported to provide: (1) that rentals under the 1921 lease would commence to accrue on January 1st, 1932, instead of January 1st, 1928, as provided in the lease; (2) for a net reduction of rentals of \$600,000 for that period between January 1st, 1928, and January 1st, 1964; (3) that the lessee upon entering into any lease or agreement in connection with power development and works under lease 24114, with either the Province of Ontario or Quebec or both obligating the Company to pay rentals or other yearly payments, to be credited on account of the yearly lease number 24114 to the amount not exceeding one-third respecting each Province; (4) the time for commencement of works being extended in December 1st, 1927, and time for completion and installation of 25,000 horse-power developed being extended to December 1st, 1930.

Hon. Mr. DUNNING: Those are the only differences?

Major BELL: Those are the essential differences, yes.

Hon. Mr. DUNNING: From the point of view of Departmental revenue, am I correct in saying that \$600,000 less would have been received in straight rentals as compared with the 1921 lease?

Major BELL: Yes, sir, plus interest.

Hon. Mr. DUNNING: And am I correct in saying that in addition to the \$600,000 provision is made for reimbursing the lessees whatever they might have to pay to the Provincial Governments?

Major BELL: Yes.

Hon. Mr. DUNNING: Up to the extent of the total one-third remaining to the Dominion?

Major BELL: Yes.

Hon. Mr. DUNNING: What happened to that lease?

Sir GEORGE PERLEY: May I suggest that the Minister is making the statements, instead of asking questions. If the Minister is going to ask questions of the witness, I submit he should simply ask the questions and not make the statement first and then ask if that is correct.

The CHAIRMAN: You submit that this is a leading question?

[Major Bell.]

Sir GEORGE PERLEY: Yes.

Hon. Mr. DUNNING: May I say that leading questions have been addressed all through this enquiry. May I say to Sir George that I am really interested in getting the facts on record. The Deputy Minister has read to the Committee a statement of the differences between the 1921 lease and the 1926 lease, and my statements were for the purpose of getting those essential points made clear. I am not a lawyer and I do not understand the rules of this game.

An hon. MEMBER: We are not lawyers either, and we want the facts.

Sir GEORGE PERLEY: The Committee wants the facts.

Hon. Mr. DUNNING: I am not a lawyer, but if there is any error in fact in any statement made or question asked of the Deputy Minister or in any reply made by him, we want to have it corrected.

An hon. MEMBER: Mr. Chairman, may I say that the witness is not under oath here, but we want the facts. The rules of evidence do not apply.

Hon. Mr. DUNNING: Major Bell, was this the first occasion in any lease, where the Provinces were mentioned? Have you any recollection of any other lease in which the Provinces were mentioned?

Major BELL: So far as I know, sir, this is the first time.

Hon. Mr. DUNNING: Have you any evidence at all in the Department of the Provinces being interested in the terms of this lease?

Major BELL: No, sir.

Hon. Mr. DUNNING: Nothing on record?

Major BELL: No, sir.

Hon. Mr. DUNNING: Were the Provinces parties to it in any way?

Major BELL: Not as far as I know, sir.

Hon. Mr. DUNNING: There is nothing in the Department which would lead to any conclusion of that sort—no documentary evidence?

Major BELL: Well, I would not say that there was no evidence. Papers which have been sent to the Department since would indicate that there had been a conference.

Hon. Mr. DUNNING: Between whom?

Major BELL: Well, I imagine that at least one of the Provinces was in it.

Hon. Mr. DUNNING: But, so far as the Department is concerned, there is nothing on record either preceding the lease or since.

Major BELL: No sir, there is nothing on record.

Hon. Mr. DUNNING: Is there any record of a conference, in the files of the Department?

Major BELL: No, sir. The Secretary has the file and can produce it.

Mr. HANSON: Whether there is a record of it or not, do you know if there was a conference?

Major BELL: No, sir, I know nothing about a conference.

Hon. Mr. DUNNING: What happened, Major, to this 1926 lease?

Major BELL: It was cancelled by Order in Council.

Hon. Mr. DUNNING: On what date?

Major BELL: November 29th, 1926.

Hon. Mr. DUNNING: Will you please tell me, Major, if the 1926 lease is in conformity with the Order in Council authorizing its execution?

Major BELL: I was advised by the legal department that it was not, and that the lease went beyond the Order in Council.

[Major Bell.]

Hon. Mr. DUNNING: That the lease went beyond the authority granted to the Minister by Order in Council?

Major BELL: Yes.

Mr. HANSON: Surely that is a question of law.

Hon. Mr. DUNNING: It is a fact.

Mr. GLADY: You have that written opinion?

Hon. Mr. DUNNING: Yes, the written opinion can be put in. Major Bell?

Major BELL: Yes sir.

Hon. Mr. DUNNING: Major, after this lease was cancelled, what was the next record on the file?

Major BELL: We entered into a new supplemental agreement, approved by Order in Council, for the extension to May 1st, 1927.

Hon. Mr. DUNNING: Of which lease?

Major BELL: Of 1921.

Hon. Mr. DUNNING: Under exactly the original terms of the 1921 lease?

Major BELL: Yes exactly the original terms.

Hon. Mr. DUNNING: And entirely without the provisions of the 1926 lease?

Major BELL: Yes, sir.

Hon. Mr. DUNNING: None of the provisions of the 1926 lease which were additional were included?

Major BELL: Yes, that was a supplemental agreement of August, 1926.

Hon. Mr. DUNNING: Did the National Hydro-Electric apply for the extension?

Major BELL: The last one, of May 1st, yes sir.

Hon. Mr. DUNNING: Did they apply for it to May 1st, or what was their application? Have you got it there?

Major BELL: No, I think it was verbal, December 1st, 1927.

Hon. Mr. DUNNING: Is there nothing on record?

Major BELL: There may be.

Hon. Mr. DUNNING: The Secretary for the Department can give the information?

Major BELL: Yes.

Hon. Mr. DUNNING: So that the position to-day is that the only lease now existing on the stretch between Ottawa and Montreal is the original 250 horse-power Departmental lease plus the 1921 lease extended to May 1st, 1927.

Major BELL: That is correct, sir.

Hon. Mr. DUNNING: Those are all the questions I have to ask.

Mr. HANSON: Are both those leases in possession of the same Company?

Major BELL: Yes, sir.

Mr. HANSON: Is the 1921 lease the first lease in which the Department undertook to lease a water-power on Interprovincial waters irrespective of the question of canalization?

Major BELL: I am not quite sure whether we have one lease on the St. Lawrence which is interprovincial. I am not positive of that. Probably you could ask the Chief Engineer, who would know that, or the Hydraulic Engineer, whether we have one on the St. Lawrence.

Mr. STEWART (Leeds): Mr. Chairman, I would like to ask Major Bell what was the ultimate object of reducing the rentals in 1926.

[Major Bell.]

Major BELL: I could not answer that, because I was not even in town when it was done.

Mr. STEWART: Was not the effect to enable the Company to furnish power to these two Provinces at a lower cost than under the original lease?

Hon. Mr. DUNNING: Was there any evidence, Major, or record of an agreement on the part of this Company to furnish power to consumers at any price whatsoever?

Major BELL: I never heard of it, sir.

Mr. GEARY: Do you know, Mr. Bell, if the Provinces were claiming the right to the power developed or who should get the price of the power developed?

Major BELL: I was not in the conference at all. I was not even in the city.

Mr. GEARY: Would not that be a fair inference to draw?

Major BELL: You had better ask somebody who knows. I was not there at all. I can give you the story of it if you like.

Hon. Mr. CANNON: You had better ask Sir Henry Drayton, he can tell you all about it.

Major BELL: I understand that there was no official of the Department there; at least they claim that. The only official who had any knowledge of it was the official who signed the lease and attached the seal at the request of the Acting Minister.

Mr. HEAPS: Early, you made reference to the price charged for water-power. You gave figures of \$6, \$4, and so on. Can you tell us how the Department arrived at these figures?

Major BELL: It studies what the power is worth. They have to develop it afterwards. We do not install the machinery but just have the water.

Mr. HEAPS: What is the relation of the cost of the construction of the power to the cost of the construction of the Canal?

Major BELL: The Canal comes first, and the water-power is only incidental in nearly every case.

Mr. WINFIELD SIFTON: The practice was not to get as much as you could for the power, was it not?

Major BELL: Yes. It was not up to a few years ago. Now we have got it on that basis.

Mr. WINFIELD SIFTON: You get the best you can, on the market value of the power?

Major BELL: Yes.

Mr. HEAPS: You get all you can for the power?

Major BELL: Probably I went a little far in saying that. We investigate and put what we consider a fair value on it, just the same as in leasing land, we put a fair value on the land, and then the rental is based on six per cent on that value.

Mr. HEAPS: What proportion would the revenue you are receiving for water-power development bear to the actual cost of the Canal?

Major BELL: I cannot say that. The water-power is incidental. You build your canal, and it happens incidentally that you have some water-power, in a great many cases.

Mr. WINFIELD SIFTON: May I ask as to the 1921 lease, the extension of which runs out on the 1st of May. If it is not extended, then is it correct that the 1911 lease, the original small lease for 250 horse-power covers the

(Major Bell)

position at Carillon, and the National Hydro will be then left in possession of the power site as lessee in position until 1974, in the event that our charter is not extended and the 1921 lease is not extended.

Major BELL: The terms of the 1911 lease will govern, but in the 1911 lease is a clause which permits us to take over that on paying the actual cost of the work, and by giving six months' notice.

Mr. WINFIELD SIFTON: I ask that question because I understood you to say that there was not any such clause.

Major BELL: Yes, there is one.

Mr. WINFIELD SIFTON: Could we have a copy of that?

Major BELL: Yes, there is a copy going into the record. I thought you were referring to the 1921 lease.

Mr. WINFIELD SIFTON: Have representations been made to your Department by the National Hydro to that effect, that if the charter of the Montreal and Georgian Bay Canal Company fails or renewal, and the 1921 lease fails or renewal, they are still in possession.

Major BELL: Oh, yes.

Mr. WINFIELD SIFTON: You have to expropriate them or get rid of them before you can deal with it?

Major BELL: Yes.

Mr. WINFIELD SIFTON: Have you made that in writing?

Major BELL: Not that I know of. I do not remember it.

Mr. WINFIELD SIFTON: It is their solicitors or someone on their behalf who has made that representation verbally.

Major BELL: Yes, they may have, but I do not remember it.

Mr. WINFIELD SIFTON: The practice of the Government has been to grant extensions, as I understand it, where the Company for financial and engineering reasons has been unable to build; is that the case?

Major BELL: Yes.

Mr. WINFIELD SIFTON: That was given as one of the main reasons for the extension in August, 1926, and that has been the practice.

Major BELL: Yes. There was something more in that case, there were other reasons.

Mr. GEARY: Major Bell, will you answer so that we can hear, please?

Mr. WINFIELD SIFTON: To come back to this question of improved canalization: do I understand you to imply that a mere replacement of the existing work which would be destroyed by the power development, without any additional depth or capacity for vessels or any deepening of the reaches whatsoever above or below that power site, is what you call in the lease of 1926 greatly improved canalization?

Major BELL: Yes.

Mr. WINFIELD SIFTON: That is what it is. Now is it correct that the August, 1926, lease was granted after the National Hydro-Electric Company was definitely in default and its rights had run out?

Major BELL: No, I do not think so.

Mr. WINFIELD SIFTON: I think that statement has been made.

Major BELL: No, the 1st of December, I think it was.

Hon. Mr. DENNING: Are you referring to 1926?

Major BELL: You are wrong in that, Mr. Sifton.

Mr. WINFIELD SIFTON: They had not run out?

[Major Bell.]

Major BELL: No, they could have run until December 1st, 1926.

Mr. GLEN: Do I understand the position to be this that if the lease is not renewed, you will go back to the 1911 lease as the only existing charter affecting this Canal?

Major BELL: That is the position.

Mr. GLEN: And that the only expropriation that will take place is of that 250 horse-power?

Major BELL: That is all. There really is not an expropriation. We simply give six months' notice, and take it over, and pay the actual value of what exists.

Mr. GEARY: The value being what it costs?

Major BELL: Yes.

Mr. BROWN: What was the date of the 1911 lease?

Hon. Mr. DUNNING: The chief engineer will know that.

Major BELL: It is a long term lease.

Hon. Mr. DUNNING: While the Major is looking that up I think I would like to say, in reply to Mr. Hanson, with regard to Sir Henry Drayton, that nothing I have said this morning is intended in any way as a personal reflection upon Sir Henry Drayton. I am discussing the policy only and have no intention whatever of impugning Sir Henry's honesty or motives in any way. The policy was a governmental policy on the part of one Government.

Mr. HANSON: We can have that whole matter of the policy brought out at another time.

Major BELL: In 1974 that lease will run out.

The CHAIRMAN: Any further questions that members of the Committee wish to ask Major Bell?

Major BELL: I would like to say this: I have been giving some answers without the papers before me. I think this refers to a question Mr. Sifton asked. It is the 1911 lease. I read the following:—

That in case the lessee and any applicant for the purchase of electricity are unable to agree on the quantity to be sold by the lessee to the applicant, or as to the price to be paid therefor, the lessee shall sell and supply to such applicant such quantity of electricity and at such prices as may be determined by the Board of Railway Commissioners of Canada.

Mr. WINFIELD SIFTON: Is that in the 1911?

Major BELL: Not that I know of.

Mr. WINFIELD SIFTON: It is in the lease for the 250 horse-power, but not in the lease for the 250,000.

Major BELL: That is so.

Mr. HANSON: Are not all these contracts and leases subject to the laws of the provinces as to the public utilities of those provinces, irrespective of what may be in the contract? In other words, the public policy of the province is to over-ride contracts to that extent.

Major BELL: I suggest that you ask the Department of Justice that question.

Hon. Mr. DUNNING: I am through with Major Bell, unless the Committee desire any further information.

Mr. RYERSON: Can you give an estimate of the period that the canal will be able to operate.

Major BELL: Yes, we operate now, from the middle of April or the 1st of May, to the middle of December, for canal purposes.

[Major Bell.]

Mr. RYERSON: That is about six months.

Major BELL: About seven months.

Mr. RYERSON: As a result of the short period of operation, in fixing the tolls to be charged upon the tonnage, would not this extra overhead for the idle months have to be taken into consideration?

Major BELL: It is on all canals, if you are going to operate them for the purpose of gain.

Mr. RYERSON: If we have the canal in operation for possibly five months, and you estimate what will be the overhead in connection with it for that period and for the whole of the year—

Major BELL: I have not made a study of the operation of the Georgian Bay Canal for the whole length.

Mr. RYERSON: In the event of the canal being in operation, what effect will it have upon the earnings of the Canadian National Railways? Have you any idea of that?

Major BELL: I have not the faintest idea.

Mr. RYERSON: It would affect the earnings of the Canadian National Railways?

Major BELL: If the canal carries traffic that otherwise would go to the Canadian National Railways, it certainly would affect them.

Hon. MEMBER: Hear hear!

Mr. GLEN: Were any representations made to your department, at the time of the application for renewal of the lease in August, by the Province of Ontario and Quebec?

Major BELL: Not that I know of.

Mr. GLEN: Have any representations been made by either of the provinces to your Department prior to the renewal of the charter or the expiry of the the charter?

Hon. Mr. DUNNING: Which charter?

Mr. GLEN: The Canal charter.

Major BELL: Not by the provinces.

Hon. Mr. DUNNING: I think it is made to Parliament, not to the provinces.

Mr. GLEN: Have any propositions been made with regard to the Canal to your Department?

Major BELL: Not that I know of.

Mr. McLEAN (Melfort): I understood that this was the only lease of the kind, on the Ottawa River, granted by the Department to develop power by itself. Does that include the Chaudiere reach?

Major BELL: No. I was speaking of the part that is affected now.

Mr. McLEAN (Melfort): From here down?

Major BELL: Yes.

Mr. McLEAN (Melfort): You have given leases of the Chaudiere?

Major BELL: No, not under the control of our Department; those are old leases.

Mr. McLEAN (Melfort): How are those leases given?

Major BELL: I imagine they were given originally through the Inland Revenue Department.

Hon. Mr. DUNNING: You had better call an official of the Department as to that.

(Major Bell.)

Mr. McLEAN (Melfort): At the present time, anything above the Rideau Canal on the Ottawa is under the jurisdiction of the Department of Public Works?

Major BELL: Yes, above.

Mr. McLEAN (Melfort): I am only interested in what is above.

Major BELL: That is under the control of the Department of Public Works.

Mr. McLEAN (Melfort): If that is not in use from here up: would it be fair to ask if there is any provision whereby the Government could take this over for canalization, or for any other purpose?

Major BELL: I imagine they could. The Government could expropriate anything.

Mr. McLEAN (Melfort): But you have not got the leases?

Major BELL: No. Originally they were very old leases, and I imagine it was through the Inland Revenue Department originally. Some are freehold, that have been sold directly.

Mr. McLEAN (Melfort): Do you say that some are freehold leases?

Major BELL: Rights that have been sold directly.

Mr. McLEAN (Melfort): That were sold by the Department of Inland Revenue, before the Department of Railways took over that part of the administration.

Major BELL: I have no knowledge. It is not in our Department.

Hon. Mr. DUNNING: The Department of Public Works would have that information.

Mr. McLEAN (Melfort): We would have to get that information from the Department of Public Works or the Department of Inland Revenue.

Major BELL: Yes.

Mr. GEARY: May I ask to what extent would the works at Carillon affect the question under consideration? I mean, what would be the practical effect?

Major BELL: If this Bill which is now before the Committee passed the House, and became law, and they were to start the construction of the Canal, they would have to expropriate the Carillon if that lease remained in effect.

Hon. Mr. DUNNING: What would they do as to the lease of May 1, 1921?

Major BELL: Expropriate.

Hon. Mr. DUNNING: If it was extended, they would have to expropriate?

Major BELL: Yes.

Mr. GEARY: It is not in effect?

Hon. Mr. DUNNING: It is in effect, until the 1st of May.

Mr. WINFIELD SUTTON: I have had to devote some attention to that particular point, and I suggest that it is worth considering that both the 1911 lease for 250 horse-power, and the 1921 lease were taken subsequent to a Statute of Canada with regard to the Montreal and Georgian Bay Canal Company, which gives them certain rights. The presumption is that they were taken subject to these statutory rights in the possession of the Montreal, Ottawa and Georgian Bay, and it is an open question whether they are entitled to any compensation against us or not. That has not been decided, and is a matter for the Exchequer Court.

Mr. GEARY: I am only asking how it affects this Committee on the question of this present Bill.

The CHAIRMAN: Any further questions of Mr. Bell?

Mr. McLEAN (Melfort): The rental on this new lease in 1926 is fixed at a certain figure to a certain date, and then raised to another figure at another

(Major Bell.)

date? After the second and third renewal or change in the rental value, it has to be set by the Exchequer Court?

Major BELL: Yes; I had better give you those rates.

Mr. McLEAN (Melfort): I am more interested at the present time in getting information as to whether this \$600,000 loss is based on the rental down to the last date, 1985.

Major BELL: Yes.

Mr. McLEAN (Melfort): So that \$600,000 loss is based between 1932 and 1985?

Major BELL: 1964, I think it is.

Mr. McLEAN (Melfort): So that loss of \$600,000 is the loss in rentals spread over a period of thirty-two years, not over the full eighty years?

Major BELL: No.

Mr. W. SIFTON: In your capacity as Deputy Minister of the Department of Railways and Canals, were you supplied with a list of the directors and shareholders and any information as to who, in fact, controlled the National Hydro Electric Company?

Major BELL: No.

Mr. W. SIFTON: Is there any information of that kind on the files of the Department of Railways and Canals?

Major BELL: Not that I know of; it may be there, but I have never seen it.

Mr. W. SIFTON: Inasmuch as this has been called and defined as the "bone of contention," I would ask that the same information be put on the files as regards them as was asked for regarding our company—if you have that information.

Major BELL: I have not got it.

Colonel ARTHUR E. DUBUC called.

Hon. Mr. DUNNING: I have no questions to ask the Colonel, but I called him because some members of the committee have asked questions which were referred to the Chief Engineer by the Deputy Minister.

The CHAIRMAN: If any member wishes to ask questions, the Chief Engineer is now here.

Mr. HANSON: I would like to ask the Chief Engineer as to the proposed installation at Hawkesbury on the Chaudiere Falls.

Mr. LAPIERRE: I ask for information about the whole project.

The CHAIRMAN: We will take up Mr. Hanson's question first.

The WITNESS: Answering the question of Mr. Hanson, the low water level of the Ottawa right here opposite Ottawa, below the locks, is at elevation 127; if the Georgian Bay Canal Company is going to keep that level to elevation 140, it means clearly that they will encroach on the fall-race of the Chaudiere Falls at least ten feet. There is a little fall between the lock and the falls—I should say about three feet maximum—so there will be a difference between 130 and 140.

By Mr. Hanson:

Q. Do you know if the Chaudiere is owned in fee simple by the present proprietors, or is it held under rental from any governmental authority?—A. I understand it is under rental from the Public Works; not by us, anyhow.

(Col. Arthur E. Dubuc.)

Hon. Mr. DUNNING: I think, Mr. Hanson, in the interest of accuracy, it would be better to summon the Department concerned. This can only be hearsay evidence.

The WITNESS: It is not Railways and Canals.

By Mr. Hanson:

Q. Are you not under the Public Works Department?—A. No; Railways and Canals.

Mr. HANSON: I beg your pardon.

By Mr. Sifton:

Q. Colonel Dubuc, for what period in the year would this encroachment take place? How many days out of the 365?—A. I believe it would be all year—even at flood level.

Q. Is there any balancing advantage given to the Chaudiere plant by reason of the fact that we give them an additional flow, owing to putting our dam above the Chaudiere—at the little Chaudiere—location, and making them a present of additional pondage?—A. Quite right; if you give them more water or more falls, you are benefiting them.

Q. There is a balancing advantage on the other side. We take a bit from their tail-race and add some to their pondage?—A. Undoubtedly.

By Hon. Mr. Dunning:

Q. Colonel Dubuc, in giving an extension of a lease by the Department, what part does your branch of the Department play? Tell the committee what the practice is in connection with the granting of leases.—A. Well, the lease usually follows a request which is referred to the Technical Branch of the Department for whatever objection they may find as to the granting of the request. The Technical Branch reports to the Minister—

By Mr. Lapierre:

Q. May I ask you one question? Has there been any request for power privileges at Desaut.—A. Not to our Department.

By Mr. W. Sifton:

Q. Has any request come to your notice?—A. Not to our knowledge. The Deputy has stated that above Ottawa our Department is not concerned.

Hon. Mr. Dunning:

Q. Finish your answer to my question, Colonel, as to what happens when a request comes in.—A. The Technical Branch considers that request, and refers it to the Deputy Minister, who studies it to see how far the request can be granted. It is then referred to the Minister, who decides what policy will be adopted, and it goes to Council, and Council authorizes a lease to be issued under certain conditions, and then the lease is issued, and includes whatever provisions it should have.

Q. The lease is issued in accordance with the terms of an Order in Council?—A. Undoubtedly; I understand it is illegal otherwise.

Q. With regard to the lease of August, 1926; did your Branch of the Department make any report on it—the supplementary agreement of 1926? Were you consulted?—A. I was not, sir.

Q. You knew nothing about it?—A. The only thing that happened was that in July, 1926, I was called to the office of the Acting Minister and asked if there were any technical objections to an extension in the time of the lease—

[Col. Arthur E. Dubuc.]

Q Of which lease?—A, Of the 1921 lease to the National Hydro, which terminated on the first of December, 1926. I told the Minister that as long as the lease was not prolonged for too long a period, I saw no technical objection to it being extended. That was the only question asked of me.

Q You did not see the August 1926 supplemental agreement then, until after it was executed?—A, No.

Q When did it first come to your notice as Chief Engineer?—A, Late in September—the end of September.

Q In addition to the technical work which you do for the Department, what do you have to do with respect to determining rental rates, the rates to be charged by the Department?—A, Of course, it is one of the answers which follows a request on any lease—the valuation of the water-power, if it is a water-power lease, or a dam, or something of that type, and the valuation of whatever concession is given, is asked of the Technical Branch.

Q You were not asked about the valuation of the concession contained in the August 1926 supplemental agreement?—A, Not at all.

Q You were not asked if the reduction in rental was justified?—A, I was not, sir.

Hon. Mr. DUBREUIL: That is all.

The CHAIRMAN: Are there any further questions?

By Mr. Pettit:

Q What would be the period of navigation of the Georgian Bay Canal?—A, Undoubtedly from late April or the first of May until the 1st December, I would judge—seven months.

Q A full month shorter than by way of the Welland Canal?—A, No; the Welland generally opens about the middle of April, and carries on to about the middle of December.

By Mr. W. Sifton:

Q That is the Welland. What is the difference in the lower St. Lawrence? In other words, what is the difference in the period of time during which the two complete routes are open?—A, In time of what?

Q The number of days during the year.—A, One month; that is the maximum, although there have been cases where the Welland closed around Christmas, but that is unusual. It is usually about the tenth or twelfth of December—that is about the average—and opens about the middle of April.

Mr. ABERNETHY: Major Bell gave us some information regarding contracts entered into for the sale of power to the Hydro Commission of Ontario, and other parties. I would like to ask whether, as a result of any of these contracts made with the Hydro Commission of Ontario, or otherwise, it has been necessary to make other contracts or go to other expenditures by the Department of Railways and Canals in order to carry out their contracts, or to increase the amount of power, outside of canalization altogether.

Colonel DUNN: Outside of canalization, I would say, no. We have a sample of that with the Trent. The whole Trent River was practically provincial. That means that the province had certain obligations as to the maintenance of storage dams for logging purposes, and different things like that. In 1907 all the rights of the province in the Trent were transferred to the Federal Government, with all obligations, of course, of the province. Ever since, we have had full and absolute control of the whole Trent River from the Georgian Bay to Lake Ontario at Trenton. The river is canalized three quarters of the way from Lake Ontario, and we have established dams and built locks. Major Bell, a few minutes ago, spoke of the different rentals being charged for the

water-power, two and four dollars. What happened was this: that in certain spots on the Trent we had no rights at all as to water-power; they were privately owned, and they were even developed. If we annulled a dam that was built by a private owner, we built our own dam for our own regulations and transferred the water-power to the original owner free of charge. Where the water-power was not ours, and we were building a dam in order to develop that horse-power—I mean in developing horse-power privately owned—we charged the owner of that water power an amount which represented the interest on the cost of the dam, which was two dollars, the average cost of a dam being about \$100,000 odd. Where there was no privately owned water-power and we were building a dam, we charged, to whoever wanted to purchase the available water-power of that dam, both the interest on the cost of the dam, \$2, plus \$2 for the cost of the power, which was created through the canalization.

Mr. ARTHUR: In accordance with the contract which was entered into, under this system you have had to make certain changes in your works on the Trent River to fulfill the contracts, or to increase the amount of power.

Colonel DUBUC: No. To fulfill the contract was simply contingent to the canalization of the Trent.

Hon. Mr. DUNNING: Where does the \$6 rate come in? You spoke of a \$2 rate and a \$4 rate.

Colonel DUBUC: We are trying to get the market value where the power is. On the Lachine Canal, for instance, where the power is much more valuable than in the distant countries of the Trent—right in Montreal—the rate is \$6. On the Welland Canal, where there are large industries, and more thickly populated, we can get more for our power; the normal charge is \$6.

Hon. Mr. CANNON: You stated that the Federal Government had taken over the rights of the province on the Trent River. How was that done?

Colonel DUBUC: Well, I am getting out of my depth now. Under the British North America Act a portion of the Trent, from Rice Lake down to Trenton, is specifically given to the Federal Government. There were negotiations in 1907 by which the province transferred to us whatever rights they had above Rice Lake on the Trent, with all the obligations that they had as to the maintenance of storage dams.

Hon. Mr. CANNON: You have exclusive jurisdiction over that?

Colonel DUBUC: Absolutely. They did challenge for a time the question of the rentals, and they hesitated for years to agree to a lease which would give them the right to power development, but the department insisted on its grounds, and I know of no case now where the Hydro is utilizing water-power on the Trent and not paying the department the rental charged.

Mr. YOUNG (Weyburn): Did I understand you to say a minute ago that the period of navigation on the Ottawa River would be a month shorter than the period of navigation on the St. Lawrence above Montreal?

Colonel DUBUC: I said that if the Georgian Bay Canal was built I believed navigation would be possible from the first of May. Undoubtedly it would have to be closed in the northern portions, anyway, by the first of December at least, and possibly a bit sooner, according to the season at that time. The St. Lawrence canals, the Welland and the through St. Lawrence canals, the Lachine, and all those, open about the middle of April. Sometimes they open a bit later and sometimes a bit sooner, but usually never before the eighth of April, and as late as the last week in April. Last year was one of the latest years, and the Welland Canal opened only around the first of May, on account of the blockage of ice in Lake Erie. The average year for the St. Lawrence canals is from the middle of April to the middle of December,

(C. Arthur E. Dubuc.)

eight months. I believe that the Georgian Bay Canal would be open from the first of May to the first of December, seven months.

MR. LAPIERRE: Are there any engineering difficulties in lifting the boats from the level of Lake Nipissing to the summit of the Georgian Bay?

Colonel DUBUC: You do not lift them at all under the scheme of the Georgian Bay Canal.

MR. LAPIERRE: It was stated, during the discussion in the House of Commons, that it was almost impossible to raise ships from the level of Nipissing to the summit.

Colonel DUBUC: There is no summit in the Georgian Bay Canal scheme. That raises another question. The Department has been asked to approve certain plans submitted by the Georgian Bay Canal Company. The Deputy has said that that company, as he thought, were not very serious in the type of plans they sent. In 1925 they sent a plan showing the section between the Carillon and Hawkesbury. I made this memorandum to the Minister on January 20th, 1925; the plan had been submitted to the Public Works Department in December.

MR. LAPIERRE: I am not very much interested in that.

SOME HON. MEMBERS: We want to hear it.

Colonel DUBUC: It will have reference to your question, if you will allow me. I made a memorandum to the Minister in January, 1925, about three weeks after the plans were submitted to our Department. I understand that they had been submitted to the Public Works Department a couple of weeks before, in December, 1924. This is a long memorandum, to the Minister. I will not repeat the first portion of it, which only refers to the sections of the Statute which would affect the approval or not of these plans. But I come to my conclusions, and I say:

Under Clause 18 of the Statute of 1894, (Chap. 103)—
and I repeat the Clause—

The Company, on the 2nd instant, submitted to you, for the approval of His Excellency the Governor General in Council, a location plan and profile of a proposed canal between Hawkesbury and Point Fortune. This plan is a very general one, practically a duplicate of the Department of Public Works, Georgian Bay Ship Canal scheme of 1908, at a scale of 2,000 feet to the inch, showing the centre line of proposed canal with locks of 650 feet by 65 feet by 24 feet at Pt. Fortune and Hawkesbury, and dams, power-houses, and regulating sluices at both Carillon and near Grenville.

And then I give eight reasons why the plans should not be approved:

1. As such, the plan is so totally inadequate as to preclude any serious consideration.

2. As the Act does not state what navigable draft the canal or canals should provide for, it becomes entirely a question of Government policy as to whether this should be 9 feet as now between Lake St. Louis below St. Anne's lock and Ottawa, or 14 feet as the present main St. Lawrence canals, or 22 feet as originally recommended by the Department of Public Works for the Georgian Bay Ship Canal, or 30 feet as ultimately projected for the new Welland Ship Canal. A decision as to this navigable channel will govern the dimensions of the locks and the width and slopes of the canal prism.

3. The Company should be asked how it proposes to maintain the 140 feet level above Hawkesbury locks and dam, particularly at flood levels of the Ottawa River.

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4. It should give complete construction detailed plans of all the structures proposed between Mile 370 and Mile 365 at Hawkesbury, and also between Miles 380 and 377 in the vicinity of Carillon and Point Fortune.

5. The Company should say how the navigation in the present Carillon and Grenville Canals is to be maintained during construction.

Because this Section of the plan was just adjoining our Carillon and Grenville Canals—

6. It should also state what it proposes by way of a development of the water-power existing in this portion of the river, this being of particular interest to this Department by reason of its ownership of a considerable portion of the north bank of the river and its consequent proprietorship in the power rights. It is quite possible to so develop this power that the future development of what would be left might become highly impracticable.

7. Equally, the Company's intentions as to storage and draw-down operations in the different pools, as this could easily have a detrimental effect on the navigable channels between Ottawa and Montreal.

8. Finally, attention is called to the annexed memo of the 8th instant of Departmental Counsel as to some legal aspects of the case particularly in reference to departmental lease No. 24414 to the National Hydro-Electric Company, Ltd., and as to the effect, on the Crown, should only a portion of the work be completed at the time the whole works should be.

Further plans were submitted by the Company; and on January 15th, 1926, I sent another memo to the Minister, which says:

Under date of December 12th last, this Company submitted, pursuant to the provisions of 57-58 Victoria, Chapter 103, Section 18, a location plan and profile of the sections of the canal which it is authorized to construct under said Act at Paquette Rapids, Des Joachims Rapids, Rocher Capitaine Rapids, Deux Rivières Rapids, and Mattawa Sections on the Ottawa River, and also for an alternative scheme to that already received with regard to the section of Hawkesbury to Point Fortune, in order that these may be submitted to His Excellency the Governor General in Council for approval.

These plans are of the same indefinite nature as those submitted during the early part of 1925, and on which my memorandum of January 20th last was based. None of the plans so far submitted are such that could be approved by the Governor General in Council as they contain no real information as to what the Company proposes to do with the various portions of the river.

The present question appears to be one of what is the proper policy for the Department to follow in this connection. Apart from a formal acknowledgment of receipt, the Company has had no communication from the Department, and has addressed to it no further enquiry with regard to its plans as submitted. Under such circumstances, all these applications have been allowed to stand to date as set out in my memorandum of August 17th last.

And finally I made a further long memorandum on May 19th, 1926, to the Deputy Minister, in which I recall again the different features of the Charter, the Departmental and Governmental interests, and I come to the conclusions:

Various plans submitted to date by the Company for approval fairly define the location of the through route from Montreal to the Georgian Bay. These plans are such as can be approved as route plans only, and further detail plans showing all the necessary particulars of such canals

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and other works authorized must, under 1894, Chapter 103, Section 18, be submitted and receive the approval of the Governor in Council before the Company may commence construction.

The Department of Justice has reported in a letter of January 17, 1925, (copy hereto attached) that it is not of the opinion that the Company is obliged to obtain approval of plans for the whole project before commencing work.

This had come about because we did not know whether it was legal for us, that is whether we were obligated to approve a section of the plan before knowing what the whole scheme was. Then my memo proceeds:

but that if it appears to the Governor in Council that the Company is not proposing to proceed with the canal scheme such circumstance might be taken into consideration in deciding whether or not to approve of the plans submitted and that in any event it appears in the opinion of that Department that approval should be withheld unless the work proposed to be constructed will afford traffic and navigation facilities between points which can reasonably be regarded as terminal points of a canal.

It should therefore be observed:

1. That the Act in its present form is designed primarily to provide navigation facilities between two specified terminal points, Montreal and Georgian Bay;

2. That, having regard to the above mentioned opinion of the Department of Justice, Montreal, Ottawa, North Bay and Deep Water at the mouth of the Feenagh River might be named as points on the proposed route which could reasonably be regarded as terminal points of a canal;

3. That the Company has just filed (May 14, 1926) a through plan of the route of the canal such as is the practice under the Railway Act;

4. That before the Company can proceed with construction, it must submit further detail plans showing all the necessary particulars of such canals and other works and obtain the approval of same by the Governor in Council;

5. That apparently in the opinion of the Department of Justice such approval would permit the Company to proceed with the construction of dams necessary for canal purposes and with the development of power there at without further provision of navigation facilities;

6. That it also appears to be the opinion of the Department of Justice that if on 1st May 1933,

which is the date at which time the whole canal is supposed to be completed,—such dams and power developments are complete, then the powers granted the Company would continue with respect to these completed portions, but would be null and void as respects so much of the said canals and works as then remained uncompleted.

7. That if the company's detail plans were approved by the Government, the latter would have no means (other than expropriation) of preventing the company from neglecting the navigation requirements and proceeding with the construction of such works alone as are necessary for the development of the water-power indicated on such plans.

8. That the present value of power rights along the route is far in excess of what it was in 1894 when the Act was passed.

9. That the Department of Justice is also apparently of the opinion that the Governor in Council is not under any legal obligation to approve of any of the plans of the company.

Now, Mr. Sifton said that these were route plans. That would be another subject and would take a little time. Mr. Chairman

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The CHAIRMAN: It is now after one o'clock.

Colonel DUBUC: My point would only be that why, even with the approval of only the indefinite plans which we have got, even if they were considered as route plans, it involved us in future detail plans which they might send and force us to approve.

Mr. W. SUTTON: May I ask, why was the plan not approved?

Col. DUBUC: Might I answer that by asking another question, how could you expect that they could be approved?

Mr. W. SUTTON: The practice which we were advised was the practice under the Railway Act, which ruled in regard to our company as provided by the charter. If we were incorrect or they had these objections, why were we not informed? We came here daily and weekly over a period of two years, and never had any information.

Colonel DUBUC: First, the company, in so far as our files show,—I do not know what they did with the Public Works,—deposited certain plans with the Department of Railways and Canals, but never followed those plans with a letter or anything asking why they were not approved. And about a year ago,—at the end of March, 1926,—Mr. Volekman, the chief engineer and secretary of the company, who is here now,—in the presence of Mr. Joss, one of my assistants, who is also here now, came to my office to find out what was the necessity for the project at Carillon; and I then advised Mr. Volekman, over a year ago, asking him why they sent us such a lot of plans and expected us to approve of them. I told him then why they were not approved, mentioning to him all the reasons which are given in my first memorandum which I have read to the Committee.

Mr. W. SUTTON: And immediately after we had that information we pressed for the conference to which I have referred.

Colonel DUBUC: I was not a party to the conference.

The CHAIRMAN: I would like to say to the Committee that some time ago the Committee agreed to hear Premier Brownlee, of Alberta. And if it pleases the Committee, we might this afternoon go into this matter.

Mr. GRAY: We want to get into the House.

Mr. HANSON: There are two or three gentlemen here representing Quebec and Ontario on this question and I think that in all fairness we ought to hear them to-day.

The CHAIRMAN: I have endeavoured to give the promoters a chance to present their case. We want to be equally fair to the other side; and that is the reason why I have suggested that the Committee meet again at 3.30 this afternoon.

The Committee adjourned to 3.30 p.m.

The Committee resumed at 3.30 p.m., Mr. Young (Saskatoon) presiding.

Colonel A. E. DUBUC recalled.

The WITNESS: Mr. Chairman, at one o'clock, when the committee adjourned, I was saying that I intended to give the reasons why the indefinite plans as submitted by the Georgian Bay Canal Company to the Department of Railways and Canals could not be approved. I assume that this map (indicating) was prepared by the company itself. As an instance of why even as a route map, it should not be approved, I assumed that the map showed us in a general way the plan where the navigable channel would reach certain

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levels which were shown, and if it were approved I assumed that it tied the Department up to agree to the levels corresponding to those shown on the map.

Mr. SPENCER (Maple Creek): You mean the profile at the bottom?

The WITNESS: Yes. No, as an instance why those should not be approved, for the Public Works report upon which this is largely based, the summit level of the canal showed an elevation of 6.677 feet above sea level just above Lake Nipissing. There was a question as to whether or not the Georgian Bay Canal would be navigable at all for any large traffic, on account of the difficulty of being able to feed the summit levels. As you are probably aware, this canal is not going to be fed from one end, and the water go down through the different locks to the lower level in order to lock the boats down, but must go through a divide, which means that the upper portion of the canal must be fed from somewhere near the location of the upper summit.

There has been a question as to whether the Georgian Bay Canal could find at its summit level enough water to feed any reasonably large number of lockages. The Public Works Department had a scheme by which what is marked "Turtle Lake" and "Trout Lake" would be at a higher level than Lake Nipissing, and would be fed from Amable du Fond, a little stream which could be used to bring water to the summit level. There was some question of that water not being sufficient, and it has been suggested as one of the remedies that the water would be pumped from the level of Lake Nipissing twenty-nine feet higher to the upper summit, as needed for the lockages both ways. The Georgian Bay Company have eliminated that feature of it, and have shown the whole of Lake Nipissing raised ten feet from low water level, which is an extremely important point. The low level of Lake Nipissing is at an elevation of 6.38; the flood level of Lake Nipissing is at 6.44. The project of the Georgian Bay people is to raise Lake Nipissing ten feet above low water level, and four feet above flood level, which, while it might have been quite feasible, and the flood damages not so totally objectionable in 1908, is almost impossible to-day on account of the flood damages, so if those plans are approved, it means that the Department is committed to adopt 6.48 as being the properly required level for Lake Nipissing. Equally, you have the same thing down below: the upper reach is shown at elevation 140, which means that at Ottawa the low water would be raised from elevation 127 to 140, or 13 feet above low water level. We have in the project of the National Hydro an instance which raised the level at Carillon to elevation 133, and even that meant flooding damages representing 18,000 acres of land. With an elevation of 140, seven feet higher than that, it is hard to say how many thousands of acres of land would be affected by flooding damages, say, between Carillon and Ottawa. If we had approved this level, it meant that we were approving it as a basis for future detail plans.

Another very, very serious objection to the approval of the plans was this: the weakest point about the Georgian Bay scheme is the navigability at all of the French River. The reports of the Public Works Department do mention that the River for a large portion between Lake Nipissing and Georgian Bay flows through a granite country with very high bluffs on each side. The Georgian Bay Company, on the plans which they submitted, did not even show a channel. They had at the end submitted a very large scale plan, of seventeen miles to the inch, which meant that every inch on that little plan showed seventeen miles of channel. Of course, it did not show to any course or anything.

What happened is that between Lake Nipissing and Georgian Bay there are tremendous curves shown on the Public Works plan, which meant that a boat of six hundred feet long, like the present day normal Great Lake bulk freight boats, six hundred feet long and sixty odd feet wide, it was questionable whether

[Cdr. Arthur E. Dudgeon.]

such a boat could navigate the French River; surely not at night. There are also, in the Public Works reports, even places where there is a reverse curve without a tangent between: meaning that a boat of six hundred feet long or more, proceeding very slowly on account of the perpetual curves in the French River, with the extremely bad visibility owing to the high banks on each side, would have to perform an absolute "S" without a tangent between the two curves, in order to right itself: meaning that either one of two things would happen, either the boat could not navigate or you would have to provide smaller boats in order to navigate them, or you would have to bring down the mountains of granite on each side.

Another solution, of course, would be that if there was only one boat going in one direction, a second channel might be found somewhere else at cost. But even if they had submitted to us the project of the Public Works, we could have raised the project of the Public Works, we could have raised those objections; but they did not even do that. They simply gave us the plans, which Major Bell showed us this morning, showing the location of the four locks which are between Lake Nipissing and Georgian Bay, with nothing between. So that we do not know what the boats are doing between those points. The Public Works Department knew what they were doing, in 1908, as they have very competent engineers. But what I say is that on the information supplied to us, we would not know what would be the effect of the levels which they wanted us to approve, because they gave us no contours so that we could know what would be the damage done or what would be the effect of those levels. And then they did not give us the crucial part of the whole Georgian Bay scheme, the channel between Lake Nipissing and Georgian Bay. And then you heard of the difficulties of entering at all into the French River from the Georgian Bay. Of course, if there are lots of submarine rocks, if you pay the price, you can clear them off. But these were things which were not submitted to us, and we would not know what would be the effect if we had approved a profile of that type.

Mr. W. SUTTON: Had you any knowledge of any additional plans or additional information or any questions asked of the Company? Did the Company ever have it suggested to them that you would require additional information or plans before you would ask the Government to approve?

Colonel DUBUC: No. The first thing I would ask is if the Company would raise the level of Lake Nipissing ten feet, probably drowning thousands of acres of land, or raise the Ottawa to one hundred and forty, seven feet more, and drowning I do not know how many more thousand of acres of land—the first thing I would have done, if I expected the plans to be approved, would have been to say, "Here is what I am asking," and "Here is what is the result of it."

Mr. W. SUTTON: In other words, we would have to guess what the Government's engineers would do, and meet that in advance.

Mr. DUBUC: The company might just as well have given us a blanket map of Canada and have drawn a black line through it.

I assume we have had lots of other requests from other companies, and we do not have to go after them to get what we were expecting. The details we would explain to them. But where it was obvious that it did not possess the most reasonable information which you would expect to receive—

Mr. W. SUTTON: Can you understand why one clause out of your objection was communicated to us, namely, that you wanted the depth over the sills and the size of the locks? That was communicated to us by the Deputy Minister of Public Works, and we met his objection. There was no other point ever raised; and one only of your objections was submitted to us; and we met it the same day.

Mr. DUBUC: I am here only as Chief Engineer of Railways and Canals. If I had submitted plans in 1924 to any Department, and in 1925 I had received

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no answer, and in 1926 I had got no answer, and in 1927 I had got no answer, the least I could have done would have been to go and see what was the matter with my plans and why they were not approved.

Mr. W. SIFTON: I would like to say, Colonel Dube, that I asked about these plans on many occasions.

Colonel DUBUC: Of course, I am only speaking for myself as the Chief Engineer, as the one who was to approve or recommend the approval of those plans to the Minister.

Mr. PETTIT: What, if anything, did the Company urge between 1907 and 1924 towards the acceptance of their plans?

Colonel DUBUC: They sent in 1903 some plans which were even more definite than those sent in 1924 and 1925. They sent in some more in 1927, which were equally in a kind of a pamphlet form; the last of the plans, 2,000 miles to an inch, to the Railways and Canals, in 1925; and after that they sent different sections of the canal up to the Georgian Bay.

Mr. PETTIT: In between, what, if anything did they urge towards the acceptance of the plans?

Colonel DUBUC: On the Departmental file there is not a single letter asking why these plans were not approved.

Mr. CHEVRIER: In all these negotiations, conducted from 1907 to 1924, all through those years, between the Department and this Company as to the nine-foot canal—

Colonel DUBUC: Of course I am only speaking for the Department of Railways and Canals, and I say that there is nothing on our official files by which the Company has at any time followed up its request for approval of plans.

Mr. CHEVRIER: You do not deny that in other departments that was done?

Colonel DUBUC: I am only speaking for the Department of Railways and Canals.

Mr. GRANT: It may be that the Company was directing its attention to getting a guarantee of its bonds, rather than the approval of its plans.

Mr. CHEVRIER: Nothing of the kind.

Mr. McLEAN: Mr. Dube, you mentioned a little while ago that there would be 18,000 acres of land flooded at Carillon. What importance would that be to your Department, as long as the Company was to pay compensation for that? Why would you hold up plans? They would have to pay for it.

Colonel DUBUC: There are lots of things which the Department will now allow. We have to know what that was going to flood and how it would affect,—you are speaking of the 18,000 acres that would be affected from Carillon to Ottawa,—and we had to know how that would affect our two canals, the Carillon and the Rideau Canal; and we were quite concerned in knowing how navigation would be kept on those canals, and how, after they had provided their—

Mr. McLEAN: You do not suggest it would injure your canal by putting more water into it?

Colonel DUBUC: Undoubtedly, if you drown the canal there is no canal left.

Mr. McLEAN: Would not the need for a small canal, a nine foot canal, disappear if they provided a twenty-five foot canal?

Colonel DUBUC: You will understand that a canal has a certain bank provided for a certain level of water. If you fill it, the gates would be under water and it would be impossible to open the canal.

Mr. McLEAN: Provided there was enough water to float the ships over the gates, why should you care? And furthermore, the object of this charter is to enable a through canal to be built, so why worry about your nine foot

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canal if you are going to get in exchange a twenty-four foot canal or a thirty foot canal?

Colonel DUBUC: There are, for instance, at the present time, certain rights on the Ottawa River, and the whole scheme had to be arranged so that they would not be interfered with.

Mr. McLEAN: Are they the rights of the Dominion of Canada?

Colonel DUBUC: The rights of navigation, as protected by the Dominion.

Mr. McLEAN: Your argument was that by flooding eighteen thousand acres of land it might be dangerous.

Colonel DUBUC: Quite.

Mr. McLEAN: Provided that eighteen thousand acres of land was compensated for, as far as navigation was concerned, what effect would that have as long as the land was paid for that was drowned?

Colonel DUBUC: It would have a material effect upon the canal, which would not stand such an elevation possibly.

Mr. McLEAN: This Company is responsible for building a larger canal, so surely you are not worrying about the nine foot canal if you are getting a thirty foot canal in exchange.

Colonel DUBUC: I did not know what we would get in exchange.

Mr. McLEAN: Would it not be under the control of the Railway Commission?

Colonel DUBUC: No, it has nothing to do with the canal.

Mr. McLEAN: Do you have power to regulate the construction of the canal?

Colonel DUBUC: Absolutely.

Mr. McLEAN: Then that would remove your difficulty.

Colonel DUBUC: But I did not know what they were going to do. The plans did not show.

Mr. McLEAN: Did you know that you had power to regulate the construction?

Colonel DUBUC: Eventually, yes.

Mr. McLEAN: And did you know it at that time?

Colonel DUBUC: Yes, of course.

Mr. McLEAN: Then that removes your difficulty about the eighteen thousand acres of land.

Colonel DUBUC: Not at all. The Government may have material reasons, not only navigation but many other reasons, which would prevent regulating the water at elevation one hundred and forty, for the low ridge at Carillon. They equally may have very material reasons which would prevent raising Lake Nipissing by ten feet, four feet above flood level at present, in view of North Bay and all the towns around Lake Nipissing. Those are reasons outside of navigation alone.

Mr. McLEAN: But the reason which you did advance as to the flooding of eighteen thousand acres is another thing, and I want to know what other reasons you have. The upper level I am coming to later.

Hon. Mr. STEVENS: This level is 140.

WITNESS: That is seven feet higher than those of which we have information, 133.

Mr. McLEAN (Melfort): Quite so.

By Mr. McLean (Melfort):

Q. The flooding of the 18,000 acres would be at the 133-foot level. You did not know how much would be flooded at the higher level?—A. I did not. I know it would be very much more than 18,000.

Q. I quite appreciate that, but the reason given to us was that this would flood 18,000 acres of land. Then again as to Lake Nipissing, I can understand that if the company were to flood the shores of Lake Nipissing, the loss might be too great, but as to the flooding of waste or cheap land, or any land, if it were compensated, would not that remove that objection?—A. No, it would not. I can cite you dozens of reasons why that could not be accepted without control. One would be this: suppose you raised the level at Carillon to the 140-foot level, that cannot be done without providing at say, Grenville, quite an extensive dredging in order to increase the flowing section of the rapids at Grenville. Otherwise, it would mean that it would increase the flow of the Ottawa and I know that the Ottawa is a very turbulent stream. Increasing the flow at Carillon by ten or twenty thousand cubic feet at flood level with an elevation of 140, in the section between Ottawa and Carillon, and knowing the section at Grenville, the inundations above Grenville would be increased very vastly, and that is one of the reasons why, from an engineering standpoint, we could not accept the level at 140 unless we know how you are going to provide for the flow at Ottawa, in the artificial conditions that will be created.

Q. Is not the condition under your control at Grenville?—A. The conditions we might have to impose in order to keep that 140 feet might render the whole scheme not feasible. That is one of the things that we do not know.

By Mr. Cherrier:

Q. But you would not say it is not feasible?—A. No, I would not say that, any more than I would say that the six or eight level at Lake Nipissing is not feasible.

By Mr. McLean (Melfort):

Q. As far as the land itself is concerned, the 18,000 acres of land that might be flooded, you are not going to tell us that that is a very important thing?—A. There are other things. The Department of Public Works has a lot of docks along the Ottawa; all those would be flooded.

Q. Docks for nine-foot navigation?—A. Well, for whatever traffic offers.

By Mr. Winfield Simon:

Q. One question, Colonel Dubuc? Here for over two years we were pestering the various departments for something in regard to our plans, or for some information in regard to what we should do in regard to the plans, and you have taken the position that it was not the part of the Government to tell us what was the matter with the plans. We had to keep on producing plans in the effort to find one that would satisfy you, without any indication of the information you wanted?—A. I did not say that.

Q. I gathered that that was your position?—A. No, I say, if I had submitted such plans, assuming that they could possibly have been approved which no engineer would say, then if I had, notwithstanding that, expected some engineer would approve of them, the least thing I would have done would have been to follow with a letter sending those plans for approval, and asking why those plans were not approved.

Q. I have already explained that I followed the letter submitting the plans, by a personal interview with the Minister?—A. I am speaking again from the standpoint of the Department of Railways and Canals.

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Q. You did not feel under any obligation to notify us as to what your objections were when you prepared this long memorandum of your various objections? You did not feel under any necessity to do that?—A. No.

Q. Then why, after we had entered a bill in Parliament and had advertised it, when it was absolutely certain that by no method except by discussion could it be affected, why should a letter be received by the company then for the first time stating an objection to these plans?—A. I do not know that you got a letter.

Q. I have a copy of it here, from the Secretary of the Department of Public Works?—A. Again, that is not the Department of Railways and Canals.

By Mr. Chevrier:

Q. At no time did your Department of Railways and Canals communicate your objections to this company in writing?—A. In writing, no.

Q. You never submitted to them a copy of the memorandum which you have disclosed to the Committee to-day?—A. In writing, no.

Q. Verbally?—A. I did, verbally, to your own Secretary:

Hon. Mr. DUNNING: I did not hear that answer.

The WITNESS: I did verbally to Mr. Volckman.

By Mr. Chevrier:

Q. I understood you to say that those plans—call them plans or profiles or anything you like—in your estimation they did not disclose the feasibility of the plans, is that right?—A. Quite true.

Q. Now because they showed that a 600-foot ship could not twist upon itself when in the granite district that you have described, you say the plan is not feasible?—A. No, not that. There was no channel shown on the plan, even in the Ottawa.

Q. Admitting that for the sake of argument, do you mean to say, Colonel Dubuc, that along the lines submitted by this company in the district where they want to build this canal, proper plans could not be furnished to show the feasibility of this canal?—A. That proper plans could not be submitted?

Q. Do you mean to say that nobody could furnish you with plans which could show the feasibility of this canal?—A. I did not say that.

Q. Of course, you would not deny that. In other words you will not affirm or deny that this canal cannot be constructed along the route on which this company intends to develop a canal?—A. No, I will not say that either.

Q. Then, that is all right?—A. But I will add to that, that they never showed me that they could.

By Mr. McLean (Melfort):

Q. Colonel Dubuc, I am a great deal more interested in getting information as to the physical value of this route for a possible canal than anything else, and that is the only object I have in view in asking this question. You have been along the French River, you say?—A. No, I have not.

Q. You have not been there?—A. No.

Q. You do not know of your own knowledge that it is not feasible to construct a canal through there?—A. I know of the report of the Department of Public Works of 1908, which had a very competent engineer, and which reported to the Government in 1908 and called attention to the difficulties of navigation in the French River. That is my basis.

Q. And on that basis you would say it is not feasible to construct a canal there?—A. No, I say that the company has not shown to us how they would get away from that difficulty; not from the plans that they showed us, but from whatever plans were available from the Government.

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Q. You are not telling us that the canal is not feasible?—A. Oh, no, not at all.

Mr. McLEAN (Melfort): Then that is all right; that is fine.

Hon. Mr. STEVENS: Sure, that is easy.

By Mr. Chevrier:

Q. But you never asked for plans showing the feasibility?—A. It was not up to me.

Mr. McLEAN (Melfort): One other question I would like to ask in order to make clear the statement made before noon. The statement was made that navigation on the Ottawa and St. Lawrence to Montreal would be a month shorter than the season of navigation by another route to the St. Lawrence River. Does that mean that the Ottawa freezes up earlier than the portion of the St. Lawrence, from the mouth of the Ottawa to Montreal?—A. I was telling you what were the average dates of the opening of the St. Lawrence canals, from Welland through Lake Ontario, through the St. Lawrence canals, and right through to Montreal. We generally open those canals a bit sooner at the upper end. At Welland, it has opened as early as the 8th of April, but usually around the middle of April, and we generally close at Welland around the 10th or 15th of December, except in an extraordinary year when I think we have closed around Christmas.

Q. We are not interested in the Welland?—A. I am speaking of the St. Lawrence canals. That is my basis for showing that the other one is shorter or longer. I must tell you first the length of the St. Lawrence canals as they are to-day. The length of time of navigation as they are to-day is from the middle of April to the middle of December, in a normal year.

Q. That is the St. Lawrence river?—A. The St. Lawrence River canals.

Q. I am not speaking of the canal at Welland, but the portion of the St. Lawrence river between the mouth of the Ottawa and the city of Montreal. What would you say of the navigation on the Ottawa river?—A. You are speaking of the St. Lawrence river from the mouth of the Ottawa to Montreal. The St. Lawrence canals do not go through the Ottawa between lake Ontario and Ottawa.

Q. But the Georgian Bay Canal does?—A. I am talking of the St. Lawrence.

Q. But my question is, as a chain is not stronger than its weakest link, a canal is not longer open than the lowest part is open to navigation?—A. Quite right.

Q. I do not pretend to know the whole geography of the canal, but I understand the canal joins the St. Lawrence some place above Montreal?—A. That is right.

Q. Is the portion of the St. Lawrence between the mouth of the Ottawa and the city of Montreal open for navigation for a month longer during the season than the balance of the Ottawa river would be? I think that is a fair question.—A. You are in exactly the same position as the Welland Canal, relative to Montreal. I told you that the Welland Canal, which is one section of the canal system, is open as early as the 8th of April and generally opens around the 15th of April, we never open in Montreal sooner, to my knowledge, than we did during the war, when there was pressure of getting boats through for the delivery of supplies. I think the soonest we opened at Montreal was the 15th of April, making a difference of one week between Welland and Montreal. That happens very often that Welland is opened about a week previous to the Montreal end. Well, by simple reasoning, if you have a much more northern canal, nearer the Pole, like the top part of the Georgian bay, with a

very shallow navigation relatively, even if it is only for the operation of your locks, you will undoubtedly have to close that canal sooner than one which is much farther south.

Q. True, but the point I am getting at is not the Welland Canal, but the St. Lawrence, from Ottawa through to Montreal. Now, I think you have made a statement that I wanted to get information on, that the St. Lawrence river at Montreal is not open for navigation until about the date you mention for the Ottawa river navigation. Would it close about the same time?—A. The southern end would close about the same time, because the lower end of the Georgian bay will undoubtedly close at the same time as the lower end of the St. Lawrence canals in Montreal.

Q. I am not speaking of the lower end of the Georgian Bay, but I am dealing entirely with the canal from Ottawa to Montreal?—A. That is the lower end of the Georgian Bay Canal; so that would close at the same time as the lower end of the St. Lawrence canals.

Q. Then, the date of the close of navigation would be the same?—A. At the lower end, yes. But my point is that the northern point of the Georgian Bay canal, its length of navigability will not be as long as the northern end of the St. Lawrence, which means that a boat can start from Welland on the 15th of April, when the lower end is not open at all, carry on through the Welland Canal and through Lake Ontario, and arrive in Montreal at the time the Canal is opened at Montreal, having the same effect on the boat as if the canal at Montreal had been open all the time.

By Mr. Chourier:

Q. That would mean then, Colonel, that if you have the lower end, the outlet at Montreal, whether it serves the Ottawa river going north, or the St. Lawrence going south, that does not vary; that navigation starts on a certain date, is that right?—A. Yes.

Q. Now, then, there is an inlet from the north and there is an inlet from the south, but the argument you now make is this, that the northern end may be frozen up, but the boats would get to Montreal. Well then, it must take them a very long time to reach the south end at Montreal?—A. Do you mean from Welland?

Q. Yes?—A. Well, there is 375 miles to go.

Q. They won't get there any faster than the other way because that one is not open; they will get there and the outlet is not blocked, whether they come from Welland or from the North?—A. But you are comparing the best end of the Georgian Bay with the worst end of the St. Lawrence, and then you want to eliminate the other end of the Georgian Bay.

Q. It does not make a bit of difference to us what time of the year it is. Let me see if I have got this right. It does not make a bit of difference at what time they enter the Georgian Bay or the Welland, if they cannot get through to Montreal, until the Montreal end is open. There are two inlets, and only one outlet?—A. Yes, but there is a lot of navigation in the canal that does not go through.

Q. Oh, all right, I will leave it at that.

By Mr. Hocken:

Q. Have you any information as to when the Ottawa river and the French river are open?—A. I could not tell you that. The Department of Public Works could tell you that.

By Hon. Mr. Dunning:

Q. I want to ask a few questions relating to your practice, Colonel, as the head of your branch, bearing upon the matter of approving plans. You

(Col. Arthur E. Dabson.)

understood that what the law demanded in this case was that the plan was required to be approved by the Governor in Council?—A. Yes.

Hon. Mr. DUNNING: Bearing upon the matter of approving plans: you understood that the law demanded in this case that the plans were required to be approved by the Governor in Council? You understood, did you not, the procedure necessary to secure that approval?

Colonel DUBUC: Yes.

Hon. Mr. DUNNING: You understood what the duty of the Minister was, for instance?

Colonel DUBUC: Well, assuming that the Minister was the proper Minister. There was some question as to the Georgian Bay scheme being under the Minister of Railways and Canals, as to who would approve the plans, or the Minister of Public Works. It was not at our request, as far as I know, that the plans were sent to us.

Hon. Mr. DUNNING: The plans were originally filed with the Public Works.

Colonel DUBUC: They were, on December 24th; the main series.

Hon. Mr. DUNNING: And sent to us because of the interest of our department in the matter?

Colonel DUBUC: Right, sir.

Hon. Mr. DUNNING: And your duty in the matter was to advise your own Minister?

Colonel DUBUC: My Minister asked me at the time whether there was any reason why these plans should not be approved, and I wrote the three memoranda, and one to the Deputy, that I read this morning.

Hon. Mr. DUNNING: In giving your opinion on a matter like that, for the intelligence of your Minister, you take into account the features of public damage?

Colonel DUBUC: Quite.

Hon. Mr. DUNNING: Why do you do that?

Colonel DUBUC: You notice, in the memoranda this morning, that I discussed legal questions which were totally out of my depth. The point was to give whatever information I had to the Minister, leaving to the Minister the getting of special experts, either legal or otherwise.

Hon. Mr. DUNNING: In connection with these plans, you are quite sure that the representatives of the Georgian Bay Canal Company knew that the plans were not satisfactory to you?

Colonel DUBUC: He knew of it, undoubtedly, in March, 1926. The Chief Engineer of the Georgian Bay people came to my office to get some information as to the project of the National Hydro at Carillon. It was only casually that I asked him, "Why are you sending us plans of the type you are sending? Do you really seriously expect us to approve of them?" He naturally asked me why they were not approved. I called for the file in which my memo. of January 25th was, and I told him different reasons why.

Hon. Mr. DUNNING: You gave him the reasons that you stated to the Committee this morning?

Colonel DUBUC: Not all of them, because one of the memos. was after the interview, the one of May, 1926.

An Hon. Member: When is the river in the neighbourhood of Mattawa free of ice?

Colonel DUBUC: I would refer you to the Public Works again, sir, because our Department was really concerned with the canalized portion which was (CJ. Andrus E. Delors)

between Ottawa and Montreal. It was only by accident, in view of possible future canalization, that we were given the plans for approval.

Hon. Mr. DUNNING: You had conferences with the engineers of the Public Works on the matter?

Colonel DUBUC: We had a number.

Mr. SPENCE (Maple Creek): Have you examined those plans of the Public Works yourself?

Colonel DUBUC: You mean the Public Works plans of 1908?

Mr. SPENCE (Maple Creek): Yes.

Colonel DUBUC: I have, sir.

Mr. YOUNG (Weyburn): Most of your objections to the route are from Mattawa west; nothing between Ottawa and Mattawa, or up into the Temiskaming country?

Colonel DUBUC: No. The question of regulation above Mattawa on the Ottawa was not a very complicated question. We knew that the Ottawa from Mattawa right through to Montreal had many times the amount of water you needed for navigation purposes. It was only from the height of land, particularly between Trout Lake, going towards Mattawa, where there is so trouble. As I said, this is not the main trouble, because the Public Works, I believe, have solved it. It is a difficulty which the Public Works have solved on the plans which they submitted in their report. My point was that the Georgian Bay Canal Company showed us nothing by which we would know the solution of their problem, which we knew existed. Equally for the navigability in the French River from Lake Nipissing to Georgian Bay.

Mr. BROWN: There are some locks that are not of sufficient altitude to provide water?

Colonel DUBUC: You must understand that the Georgian Bay people themselves are not using that; they are using the whole of lake Nipissing. Assuming that they could raise it to this level, which they have shown there, 648, which means ten feet above the flood level of Lake Nipissing; they are feeding the canal both ways through Lake Nipissing.

Mr. BROWN: Ten feet is sufficient to overcome the height of land?

Colonel DUBUC: It means a tremendous cut, but if they can stand the expense I suppose it is their own affair.

Mr. ANDERSON (High Park): The engineers in 1908 contemplated using the water in Lake Nipissing?

Colonel DUBUC: But I doubt very much if they would to-day. That was twenty years ago, and there has been so much improvement all around the lake there, that possibly to-day the damages would be so heavy that they would not. My impression is that 645 is as much as you could raise Lake Nipissing to-day without prohibitive damages.

Mr. ANDERSON (High Park): And was the Department unfavourable in 1908 to raising the water level?

Colonel DUBUC: They discussed it, but apparently it was of much less importance then than it would be to-day. My point is not that it is not feasible, but the point is that we did not know of the 648 amount from the plan they submitted to us.

C. R. COUTLEE called.

The CHAIRMAN: Mr. Coutlee, tell the Committee who you are.

Mr. COUTLEE: I am an engineer with the Public Works, and I was connected with the Public Works in the making of the report on the survey of the river published in 1908.

[Mr. C. R. Coutlee.]

The CHAIRMAN: You are one of the district engineers connected with this area?

Mr. COULLEE: No, I am on headquarters staff.

MAJOR BELL: At the time of the survey Mr. Coutlee was one of the Board in connection with the Georgian bay survey.

Mr. CHEVRIER: Were you connected in any way with the making of that five-volume report?

Mr. COULLEE: Yes, sir.

Mr. CHEVRIER: As a result of the survey that you made, what do you say as to the feasibility of the canal?

Mr. COULLEE: It is certainly feasible.

Mr. CHEVRIER: Along the plans which were submitted and discussed during those years?

Mr. COULLEE: Yes, sir. Perhaps I might say a word in connection with that, Mr. Chairman. The plans were then gone into and the project that was then made was for a twenty-two-foot depth. Now, that meant bringing down from the Great Lakes, from Fort William to Montreal, the large lake steamers; that is, those steamers that run 500, 580, 600 and 625 feet. Then there were the channels that these boats followed on the upper lakes, through the St. Mary's river, and through the channels of the St. Clair river and the Detroit river. The design is similar to what they operate on.

Mr. W. SUTTON: Might I ask if a twenty-four-foot channel would take the largest type of grain-carrying boat on the upper lakes now?

Mr. COULLEE: Oh, yes; the largest type of boat there does not draw more than about 19.6.

Mr. W. SUTTON: Within the actual measurements which we agreed with the Department of Public Works, and which were endorsed on these location plans, were sufficient to carry the grain to Port Arthur and down through this canal; it would take the ships which ordinarily carry that grain.

Mr. COULLEE: That is 650 feet.

Mr. W. SUTTON: 65 by 650 feet by 24?

Mr. COULLEE: Yes.

Hon. Mr. DUNNING: I think, Mr. Chairman, that in view of the fact that we are now carrying boats through the ordinary St. Lawrence canal, it is important to have the correct information. I think probably that Major Bell had better tell of the capacity of the present locks, and the draughts of the present boats. He is more familiar with that than the witness.

MAJOR BELL: I have not got the exact data. What is the depth of the Canadian lock at the Soo, 19.6?

Colonel DUBUC: At extreme low water I do not think it is more than 18.4.

MAJOR BELL: What is the new American lock?

Colonel DUBUC: 24 feet.

Hon. Mr. DUNNING: We use the American lock for the big boats; is that the case, Major?

MAJOR BELL: Yes. The Canadian lock was the largest lock until these American locks were built, and the largest boats passed through the Canadian locks. Now, we practically get none of the large boats except an odd passenger boat; they have got to go through the American locks.

Mr. W. SUTTON: 24 feet is the same as the large American locks?

MAJOR BELL: Yes.

(Mr. O. R. Cooke.)

Hon. Mr. DUNNING: Were you one of the Public Works engineers who considered the plans? You heard Colonel Dubuc's evidence regarding the plans submitted by the Georgian Bay Canal Company—you were one of those engineers?

Mr. COUTLEE: Yes, sir.

Hon. Mr. DUNNING: What was the result?

Mr. COUTLEE: We found that the plans submitted by the company were copies of our plans that were made and published between 1906 and 1908. They were not entire copies; that is, a great deal of the material that was on the Public Works' plans was omitted on these plans.

Hon. Mr. DUNNING: Did you report to your Minister that they were sufficient to enable you to form a judgment? What was your report to your Minister?

Mr. COUTLEE: I reported to Mr. Cameron, the Chief Engineer of Public Works.

Hon. Mr. DUNNING: Is Mr. Cameron here?

Mr. COUTLEE: He is not here just now. I reported that they were copies of our plans and that they had left off a great deal of the information, and that if we had not had our plans we could not have interpreted theirs.

Hon. Mr. STEVENS: That is, that the plans submitted to you by the Georgian Bay Canal Company, without the knowledge that you had of the plans from which they were copies, were insufficient to give you information upon which you could have passed judgment on the plans?

Mr. COUTLEE: Yes, sir.

By Mr. Chevrier:

Q. Let me get that right. You were responsible for the making of the plans—the five volumes, were you not?—A. Yes.

Q. Those were the government plans?—A. Yes.

Q. As I understand your evidence, it is this; that the plans which were submitted—the fabric of those plans was identical with the plans which your Department had made, leaving out a certain number of features, but in the main corresponding to the plans which you had made?—A. Yes, sir.

Q. And in so far as the plans which the company produced were concerned, they were in their essence similar to the government plans, leaving out certain features?—A. Leaving out certain features, yes.

Q. Now, the department might be in a position to approve of so much of the plans as submitted by the company as were identical with the plans which the government had already prepared under your instructions, of course, with the reservation that they might have asked for further details.—A. I would have to qualify that answer. If we had not had our own plans, I do not consider they would have been sufficient.

By Hon. Mr. Dunning:

Q. Mr. Coutlee, your plans were for 22-foot navigation, were they not?—A. Yes, sir.

Q. And were not the plans submitted by the Georgian Bay Canal Company for 24-foot navigation?—A. Yes, sir.

Q. That would make a great difference in places?—A. It would make a difference, Mr. Dunning, and there was this difficulty, that the company submitted the sites of various locks—some 27 locks on the route. Now, they did not submit the channels between those locks on which there was a large amount of excavation, both rock and earth, wet and dry.

[Mr. C. R. Coutlee.]

Q. They did not submit the excavations?—A. No, sir.

Q. Did you recommend the approval of those plans?—A. No, sir.

Q. Did anybody in the Public Works Department recommend their approval?—A. No, sir; we could put some of the plans in. They are in the Minister's room upstairs.

Discussion followed.

Witness retired.

Further discussion followed.

Mr. W. SIMON: Mr. Chairman, I would like to remind the Committee that yesterday I intimated that the company suggested that an amendment be made which would entirely cure the objection which is urged, viz., that we could pick the eyes of this proposition and not go along with it. The amendment which I suggested is as follows:

Until through navigation is established from the navigable waters of the Georgian Bay to a point on the River St. Lawrence at or near the city of Montreal, all the revenues of the company derived from falls or heads for water-powers and otherwise shall be devoted exclusively, after payment of the charges on the company's debts and the maintenance and operation of the company's works, to the completion of the works hereby authorized.

The company submits that that entirely prevents the company from doing any such thing as has been objected to.

Hon. Mr. DUNN: Just one moment, Mr. Chairman, before we come to a conclusion. The object of the Committee, of course, is to give the petitioners a fair hearing. I think the petitioners in this case will agree that they have had a fair hearing. I believe there are two learned gentlemen here, representing respectively the provinces of Ontario and Quebec, and I have had no intimation that they desire to be heard, or that there are any other parties desiring to be heard either for or against the petition. I think, before the Committee comes to a decision, we should make sure that all interested parties have been given an opportunity to present their views.

The CHAIRMAN: I think I indicated quite clearly that if there are any others, for or against, an opportunity would be given. I have heard no intimation that anybody should be heard.

Mr. HOGAN: Come on, Mr. Tilley, you represent Ontario.

Mr. ALME GEORGE: The two provinces saw objections to this Bill. The question is whether we could add something to the discussion by developing our objections to it. If the Committee thinks we can add anything useful, we will be willing to take up your time. The provinces are protesting against this Bill, and asking your veto.

Mr. HANSON: Mr. Chairman, I think the provinces should be heard, and that the rights of the provinces in this river should be set out by counsel.

The CHAIRMAN: Shall the preamble carry?

Preamble negatived.

The Committee adjourned until to-morrow at 11 a.m.



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*Minutes - Railways, Canals and Telegraph Lines
House of Commons, May 21, 1941*

SESSION 1940-41

HOUSE OF COMMONS

Government
Publications

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

BILL No. 27 (LETTER B-2 OF THE SENATE) AN ACT RESPECTING
THE BRITISH COLUMBIA TELEPHONE COMPANY

No. 1

WEDNESDAY, MAY 21, 1941

FRIDAY, MAY 23, 1941

WITNESSES:

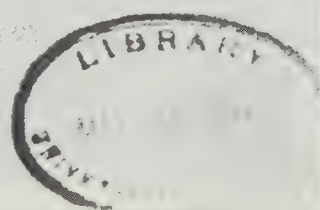
Colonel G. A. Stairs, of Montreal, Que., Solicitor.

Mr. Gordon Farrell, President of the British Columbia Telephone Company,
of Vancouver.

Major J. L. Hamilton, Vice-President and Managing Director of the
British Columbia Telephone Company.

Victor M. David, of Vancouver.

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1941



MEMBERS OF THE COMMITTEE

(ERNEST BERTRAND, Esq., *Chairman*)

and

Messieurs

Bence,	Gregory,	McKinnon
Bertrand (<i>Laurier</i>),	Hanson (<i>Skeena</i>),	(<i>Kenora-Rainy River</i>),
Bertrand (<i>Terrebonne</i>),	Harris (<i>Danforth</i>),	McNiven,
Black (<i>Cumberland</i>),	Hatfield,	Maybank,
Bourget,	Healy,	Mills,
Breithaupt,	Howden,	Mullins,
Chevrier,	Howe,	Nicholson,
Corman,	Isnor,	Nielsen (Mrs.),
Coté,	Jackman,	Nixon,
Crerar,	Jacques,	O'Brien,
Damude,	Jean,	O'Neill,
Douglas (<i>Queens</i>),	LaCroix	Picard,
Dupuis,	(<i>Quebec-Montmorency</i>),	Pouliot,
Emmerson,	Little,	Roebuck,
Endes,	Lizotte,	Ross (<i>Moose Jaw</i>),
Factor,	Lockhart,	Ross (<i>Calgary East</i>),
Farquhar,	MacInnis,	Ross (<i>Souris</i>),
Fournier (<i>Maisonnette-Rosemont</i>),	MacKinnon	Shaw,
Fulford,	(<i>Kootenay East</i>),	Sissons,
Gingues,	McCulloch,	Turner,
	McIvor,	White,
		Whitman—60.

ANTONIO PLOUFFE.

Clerk of the Committee.

ORDERS OF REFERENCE

FRIDAY, November 22, 1940.

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, May 16, 1941.

Ordered,—That the following Bill be referred to the said Committee:—

Bill No. 27 (Letter B-2 of the Senate), intituled: "An Act respecting British Columbia Telephone Company."

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, May 21, 1941.

Ordered,—That the said Committee be granted leave to print from day to day 200 copies in English and 100 copies in French of the minutes of proceedings and evidence to be taken before the Committee respecting Bill No. 27 (Letter B-2 of the Senate) An Act respecting British Columbia Telephone Company; and that Standing Order 64 be suspended in relation thereto.

Ordered,—That twelve members shall constitute a quorum of the said Committee, and that Standing Order 63 (1) (b) be suspended in relation thereto.

Ordered,—That the said Committee be granted leave to sit while the House is sitting.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

WEDNESDAY, MAY 21, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to submit the following as a

FIRST REPORT

Your Committee recommends:—

(1) That it be granted leave to print from day to day 200 copies in English and 100 copies in French of the minutes of proceedings and evidence to be taken before the Committee respecting Bill No. 27 (Letter B2 of the Senate) An Act respecting British Columbia Telephone Company; and that Standing Order 64 be suspended in relation thereto.

(2) That twelve members shall constitute a quorum, and that Standing Order 63 (1) (b) be suspended in relation thereto.

(3) That it be granted leave to sit while the House is sitting.

All of which is respectfully submitted.

ERNEST BERTRAND,
Chairman.



MINUTES OF PROCEEDINGS

WEDNESDAY, MAY 21, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11.30 o'clock, a.m. Mr. Ernest Bertrand (*Laurier*), the Chairman, presided.

The following members were present:—Messrs. Bence, Bertrand (*Laurier*), Black (*Cumberland*), Breithaupt, Chevrier, Emmerson, Eules, Fulford, Gregory, Hanson (*Skeena*), Isnor, Little, Lizotte, Lockhart, MacInnis, MacKinnon (*Kootenay East*), McIvor, McNiven, Mullins, Nixon, O'Neill, Ross (*Souris*), and Turner.—23.

The Chairman read letters from Hon. T. D. Pattullo, Premier of British Columbia, to the Prime Minister of Canada and the Secretary of State respecting the British Columbia Telephone Company. On motion of Mr. Mullins this was ordered to be filed.

On motion of Mr. Ross (*Souris*), it was resolved that the Committee ask leave to print from day to day 200 copies in English and 100 copies in French of the minutes of proceedings and evidence to be taken before the Committee respecting Bill No. 27, (Letter B2 of the Senate), An Act respecting British Columbia Telephone Company.

On motion of Mr. Hanson (*Skeena*), it was resolved that the Committee request that its quorum be reduced from twenty to twelve members.

On motion of Mr. MacInnis it was resolved that the Committee ask leave to sit while the House is sitting.

On motion of Mr. Hanson, Mr. Chevrier was elected Vice-chairman.

The Committee adjourned to meet again Friday, May 23, at 9.30 o'clock, a.m.

J. P. DOYLE,

Chairman of the Committee.

FRIDAY, MAY 23, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9.30 a.m. Mr. Chevrier, Vice-Chairman, presided.

Members present: Messrs. Black (*Cumberland*), Chevrier, Côté, Dupuis, Emmerson, Fournier (*Maisonneuve-Rosemont*), Fulford, Gregory, Hanson (*Skeena*), Hatfield, Healy, Howden, Howe, Jackman, Little, Lockhart, MacInnis, MacKinnon (*Kootenay-East*), McCulloch, McIvor, MacKinnon (*Kenora-Rainy River*), McNiven, Maybank, Mills, O'Brien, O'Neill, Picard, Ross, (*Moose Jaw*), Ross (*Calgary East*), Ross (*Souris*), Sissons, Turner and Whitman. (33).

Witnesses: Associated with Mr. G. Henderson, of Ottawa, Parliamentary Agent, were Colonel G. A. Stairs, of Montreal, Que., Solicitor for the British Columbia Telephone Company; Mr. Gordon Farrell, of Vancouver, President

of the British Columbia Telephone Company; Major J. H. Hamilton, of Vancouver, Vice-President and Managing Director of the British Columbia Telephone Company.

Victor M. David, Esq., of Vancouver, representing several Vancouver community associations opposing the Bill before the Committee.

In attendance: Mr. G. G. McGeer, sponsor of the Bill.

The Committee resumed its consideration of Bill No. 27 (Letter B-2 of the Senate), An Act respecting the British Columbia Telephone Company.

On motion of Mr. Howden, the Committee heard representations from Major Hamilton, Colonel Stairs and Mr. Farrell, appearing for The British Columbia Telephone Company. Mr. Victor M. David was then invited to make his statement on behalf of the Vancouver community associations. (*See list in this day's Evidence.*)

With the consent of the Committee, British Columbia members were permitted to address the Committee and question the witnesses. Messrs. Neill, Green, Cruickshank and Mayhew availed themselves of this privilege.

The Honourable C. D. Howe also addressed the Committee.

On motion of Mr. MacInnis:

Resolved,—That the letters of Premier Pattullo of British Columbia sent to the Prime Minister of Canada and to the Secretary of State for Canada, which were filed at the first meeting, be incorporated in the Minutes and Proceedings. (*See Appendix in this day's Evidence.*)

On motion of Mr. Fulford, the preamble of the Bill was adopted.

Section 1 was considered adopted.

Section 2 was allowed to stand.

Section 3. On motion of Mr. MacInnis, section 6(1) contained therein was amended by deleting "twenty" in the second last line thereof and substituting "fifteen" therefor.

Section 6 (1) was adopted as amended.

Section 6 (2) was allowed to stand.

On motion of Mr. Lockhart, the Committee adjourned at 1 o'clock until Tuesday, May 27. The time to be set by the Chairman.

ANTONIO PLOUFFE,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

May 23, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.30 o'clock a.m. The Acting Chairman, Mr. Lionel Chevrier, presided.

The ACTING CHAIRMAN: Gentlemen, shall we come to order? We have a quorum.

BILL No. 27, BILL B2 OF THE SENATE

An Act respecting British Columbia Telephone Company.

Whereas British Columbia Telephone Company was duly incorporated by an Act of the Parliament of Canada, chapter sixty-six of the statutes of 1916, under the name of "Western Canada Telephone Company", which name has been changed to that of "British Columbia Telephone Company" pursuant to the provisions of section fifteen of the said Act and with the approval of the Secretary of State of Canada, and

Whereas British Columbia Telephone Company has presented a petition praying that the said Act be amended so that it may be empowered to increase its capital stock and be further empowered as hereinafter set forth, and it is expedient to grant the prayer of the said petition: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

Is the committee prepared to hear representations?

Mr. HOWDEN: I would move that representations be heard.

Mr. LOCKHART: I would second that motion.

Motion agreed to.

Mr. HANSON: I understand the president of the telephone company is here, Mr. Gordon Farrell; also Major G. H. Hamilton, the managing director, and Mr. G. S. Stairs, K.C.

The ACTING CHAIRMAN: Is it your pleasure to hear these gentlemen?

Some HON. MEMBERS: Yes.

G. A. STAIRS, K.C., Montreal, called:

Mr. STAIRS: Mr. Chairman and gentlemen, I am appearing for the British Columbia Telephone Company which is affected by this bill, and, as the matter is an important one, if it is agreeable to the committee I think it would be helpful if Major Hamilton, the general manager of the company, could say a few words in explanation of the necessity for this application for a grant of power to enable the company to make an increase in its capital as required.

The ACTING CHAIRMAN: Do you wish to hear him first?

Some HON. MEMBERS: Yes.

Major GORDON H. HAMILTON, General Manager, British Columbia Telephone Company, called:

Mr. HAMILTON: Mr. Chairman and gentlemen, the growth and development of British Columbia during the past years and during the current year has been such that the company has to expand its plant and equipment to meet the

public demand for telephone services. The demand that we are having now is coming principally from the users of our residential services and business, and to some small extent is occasioned by the demand from the defence forces. The growth is particularly centered around industrial areas of British Columbia—Vancouver, Victoria and certain other areas where there is a certain amount of industrial activity. Last year we grew by 5,900, and this year we have grown up to date approximately 3,000 stations; and if the same rate of growth continues the reasonable estimate is that we will grow some 7,000 or 8,000 stations during the current year. In order to provide the plant and equipment necessary to take care of this public demand it will be necessary for us to get sums of money outside of the resources of the company at the present time to take care of them; so that in order to be in a position to take care of this public demand it is necessary that the powers of the company to finance should be increased. The application now before parliament is brought forward for this very simple reason. Anything that I might add to that would just be repeating what has been said by the company and I believe you are all familiar with that. I do not know that there is much that I can add at the present moment.

By Mr. MacInnis (to Mr. Hamilton):

Q. Mr. Chairman, Major Hamilton referred to "stations", 3,000 and 5,000—what does station mean in this connection?—A. That is a "service", a service outlet—you have a station in your home, Mr. MacInnis; any telephone outlet is a station.

Q. It is not usually referred to as a station, it is referred to as a service; that is the way it is referred to in your publication.—A. Well, I am talking particularly in the telephone man's language. We refer to them as stations or services, if you care to put it that way; they both mean the same.

By Mr. Howden:

Q. Every individual telephone is a station at that rate?—A. Yes, sir.

The ACTING CHAIRMAN: Are there any other questions from this witness, gentlemen?

By Mr. Jackman:

Q. What is the estimated cost of putting in from 7,000 to 8,000 additional stations this year?—A. The average overall cost of an additional service of station is in our particular case somewhere around in the neighbourhood of \$235 to \$240. By that I mean that all the plant and equipment, the proportionate plant and equipment, for a station overall, and I think you will find that that same average overall cost per station maintains at practically every telephone company operating in Canada including the Bell—I think they are somewhere in the neighbourhood of \$250, and in the other companies it is much along the same line.

Q. How many stations did you have at the end of 1940?—A. At the end of 1940 we had approximately, we had 132,774 stations.

Mr. LOCKHART: Have you got the figures for three or four years previous to that?

The ACTING CHAIRMAN: Mr. Jackman, did you get an answer to your question?

By Mr. Jackman:

Q. What was the total in 1940?—A. 133,766. At the end of 1939 it was 127,852; and at the end of 1938 it was 123,375; and at the end of 1937 it was 119,136. Now, we estimate for the current year a station gain based on the disbursements for the three months of the current year somewhere in the neighbourhood of 7,000 and 8,000 stations.

By Mr. Whitman:

Q. Can you indicate what percentage of those will be for the Department of National Defence?—A. Since the commencement of the war up to the end of 1940 the total number of stations added to the service for the Department of National Defence—the three services, air force, navy and army—the total number of additional stations for these services directly numbered 230.

By Mr. MacInnis:

Q. Does that include the services for the Department of Munitions and Supply?—A. No; that includes the air force, the army and the navy.

Q. Well, were there any services on account of the Department of Munitions and Supply?—A. No, I do not think the Department of Munitions and Supply have any office in British Columbia. Business services and residence services probably occasioned by the industrial activity brought about by the war may have something to do with the demand for services in our territory, in other words, because of the additional employment in British Columbia at the present time the public or the resident user and the business user is demanding more service to take care of his requirements. Now, it is difficult to say just what occasioned this demand for additional telephone facilities, it is difficult to state the direct cause of the public demand. Do I make myself clear? Does that answer your question? Now, it might interest you to know that out of our station growth for the year 1940 for the additional services demanded by the public 523 of these were for additional business services and 5,390 were for residential services. For the first three months, that is up to the end of March of the current year, the first three months, the additional services provided amounted to 1,937. I said that up to date we had gained about 3,000—approximately 3,000 services. That is up to the end of March. It is almost the end of May. We have two months to go. But for the first three months of the year we grew 342 business stations and 1,595 resident stations.

By Mr. Lockhart:

Q. Is that an abnormal increase in the resident service?—A. Yes.

Q. By reason of the growing earning power of the people, would you say?—

A. Probably that is one of the conditions. I cannot tell you that. I cannot say what the reason is. The demand is there. We have to meet it.

Q. I admit that, because it is the same in other sections, and the public are asking for that.

By Mr. Harris:

Q. Did I understand Major Hamilton to say that the cost of this installation was \$240?—A. Approximately \$240, when you add all services, in the over-all additional plant and equipment to provide that service; I mean, taking all your central office equipment, your outside poles and wires, your house wiring, your instruments and all that goes with it; that includes provision for long distance facilities. That grows as your stations grow.

Q. If you instal a telephone for only a short time, you must take quite a loss?—A. No, sir.

Q. The charges are not commensurate for that?—A. No sir.

By Mr. MacInnis:

Q. You do not do business in that way?—A. The facilities provided for one station are common to the area in which you are providing that service. In other words, if you put a telephone in a man's home, you are not losing all the plant and equipment that you put in there, because the facilities are in that area and are available for some one else who may want the service. The facts are these, that telephones are turning over. It may be necessary, to get

a net gain in services of say 100 stations or 100 services, to take out 400 and put in 500, in order to get that net gain. That is going on day in and day out in the business.

By Mr. Ross (Souris):

Q. What is the charge for a business phone annually and for a residence phone annually?—A. Business rates vary in the different exchanges. In Vancouver an individual residence is \$3.50.

Q. A month?—A. Yes. The two-party residence phone is \$2.50 and the business phone is \$7.50.

By Mr. Fulford:

Q. May I ask from whom you get this equipment that you use?—A. We obtain our equipment from all different supply houses in Canada or England or wherever it is practical to buy it.

Q. You are not sewed up to the one company like the Bell Telephone?—A. No.

Q. I mean, you do not use exclusively Northern Electric equipment?—A. No, sir.

By Mr. MacInnis:

Q. What other equipment do you use? What other companies do you purchase from?—A. Well, we purchase all our poles, for our buildings and everything else—that is purchased locally in Vancouver. The cables and wire and everything else is purchased in Canada. It may be purchased from any one of half a dozen firms.

Q. What I had in mind particularly was this. What other electric companies are you associated with or which are part, for business purposes, of the B.C. Telephone Company—such as the Phillips Electric Company of Brockville, Ontario?—A. Yes. We purchase a lot of our cable and equipment from them.

Q. What is the relation between the Phillips Electric Company and the B.C. Telephone Company?—A. There is no relation between Phillips Electric Company and the B.C. Telephone Company.

By Mr. Hatfield:

Q. Where do you buy your telephones?—A. We buy our telephones—Phillips Electric Company are manufacturing our telephones at the present time. Northern Electric—

Q. What connection do they have with the Western Electric Company of New York?—A. I am afraid I cannot answer that question.

By Mr. MacInnis:

Q. Are not both the B.C. Telephone Company and the Phillips Electric Works Limited subsidiaries of Associated Telephone and Telegraph Company, with head office at Kansas City?—A. Yes.

Q. There is a definite relationship in that way, is there not?—A. There is probably some corporate relationship, yes. I personally have no knowledge of the relationship.

Mr. LOCKHART: Mr. Chairman, is there any one associated with the witness who has that information or who could tell us just what is the connection between these companies?

Mr. FARRELL: I think I could answer that question. The Phillips Electric Company is owned by the Associated Telephone and Telegraph Company of Chicago and Kansas City; that is, the major interest is owned by them. There is a public interest in it as well. The control of British Columbia telephone is held by the Anglo-Canadian Telephone Company.

Mr. MacINNIS: Where is it situated?

Mr. FARRELL: Montreal; which company is in turn controlled by the Associated Telephone and Telegraph. Is that clear?

Mr. MacINNIS: Who owns the common stock of the British Columbia Telephone Company?

Mr. FARRELL: Anglo-Canadian Telephone Company.

Mr. BLACK: It owns it exclusively?

Mr. FARRELL: There are a few shares, a very few, out: I think five or six. That is all.

Mr. BLACK: Just qualifying shares.

Mr. MacINNIS: Anglo-Canadian is, like British Columbia Telephone, a subsidiary of the Associated Telephone and Telegraph Company?

Mr. FARRELL: Yes. No. The B.C. is not a subsidiary. To get that perfectly straight, it is indirectly a subsidiary of the Associated, through the Anglo-Canadian.

Mr. MacINNIS: There is the Anglo-Canadian. It is a subsidiary first of the Anglo-Canadian Company and then the Anglo-American Company—possibly I am not using the correct names. The Anglo-Canadian Telephone is a subsidiary of the Associated Telephone and Telegraph?

Mr. FARRELL: Yes.

Mr. MacINNIS: And with respect to the directors, any one of these may be, and in some cases is, a director of the other?

Mr. FARRELL: The odd one or two, yes.

Mr. JACKMAN: Does Associated Telephone and Telegraph Company, through its subsidiaries or companies in which it has an interest, operate in many countries throughout the world?

Mr. FARRELL: It operates in the Philippine Islands and also in Porto Rico.

Mr. JACKMAN: Does it not have manufacturing companies elsewhere?

Mr. FARRELL: It has a manufacturing company in Belgium and also a large manufacturing establishment in Chicago.

Mr. JACKMAN: Does it provide equipment for the telephone system in Great Britain?

Mr. FARRELL: They used to have an interest in a company in Great Britain. They no longer have that interest.

Mr. JACKMAN: Does the company compete with the subsidiaries of the American Telephone and Telegraph where possible, particularly in providing installations? For instance, if the government here were putting in their private exchange system, might your company compete with, let us say, Northern Electric of Canada for the installation of that system?

Mr. FARRELL: Absolutely. They are doing a lot of work for the government now, I believe—special field telephones.

Mr. FULLFORD: Your equipment cannot be used where the outlet is through the Bell Telephone Company. Is that not right? I mean, if you put a private exchange in these buildings and the buildings are connected in turn with the outside exchange controlled by the Bell Telephone Company, your equipment could not be used. The Bell Telephone Company uses only equipment of their subsidiary, the Northern Electric, if there is an outlet.

Mr. FARRELL: I am not familiar with that.

Mr. HAMILTON: No, that is not so. Generally speaking, telephone equipment, if it meets the standard specifications, whether it is manufactured by

Northern Electric or any other individual, can be used without any interference with the service qualities of the equipment. Does that answer your question?

Mr. FULFORD: Yes, it does; because I was under the wrong impression, that your equipment could not be used.

Mr. HAMILTON: No.

Mr. FULFORD: I thought Bell Telephone required Northern Electric equipment.

Mr. HAMILTON: No. You could put Siemens of England or Automatic Electric of Liverpool or Automatic Electric Company of the United States or equipment manufactured by the Eugene Phillips Company or Northern Electric Company into this building and provide all the services and connect through to the other system of the Bell Company without any interference to the service as far as the quality of the service or transmission is concerned. There are certain standards.

Mr. JACKMAN: I think Mr. Fulford is referring more to the legal possibility than to the physical possibility.

Mr. HAMILTON: There are none that I know of.

Mr. JACKMAN: I think that the Bell contract calls for use of their equipment. You cannot put in your own private receiving set.

Mr. FARRELL: That does not pertain in British Columbia. We have nothing to do with the Bell Telephone Company in British Columbia.

Mr. MACINNIS: I wonder if Mr. Farrell could tell the committee of the connection between Phillips Electric Company and the British Columbia Telephone Company?

Mr. FARRELL: I do not quite understand your question, Mr. MacInnis.

Mr. MACINNIS: What is the relation between the Phillips Electric Company and the British Columbia Telephone Company?

Mr. FARRELL: They are in the same position as any other supplier. They compete for the business like anybody else does.

Mr. HAMILTON: We pay no higher price, if that is what you are talking about. The price that we pay for equipment from the Phillips Electric Company is the same as is being paid by any other user of their services or their equipment. It is a standard. They have got standard prices and that is what you pay.

Mr. HATFIELD: Are Phillips Electric Company a subsidiary of Western Electric?

Mr. FARRELL: As far as I know they have nothing to do with it. I stated that the control of that was in the hands of Associated Telephone and Telegraph of Chicago and Kansas City.

Mr. HATFIELD: They are all linked together.

Mr. FARRELL: I do not think so.

Mr. ROSS (*Souris*): Major Hamilton gave us the phone rates for the city of Vancouver. Would you say what the phone rates were, on the average, for the rural parts of British Columbia?

Mr. HAMILTON: I have the exact rates; but if I am correct I think it is something like \$3 or \$4 for a business phone and I believe it is \$3—\$2 for an individual residence phone and \$1.50 for a party line phone; that is for a two-party line within a mile radius of the rural office and not beyond six parties on a line stretching up to five miles. Over that, there is a standard mileage charge applied common to all companies.

Mr. HAMILTON: I do not know what equipment you have, Mr. Neill.

The ACTING CHAIRMAN: I do not want to interrupt you, Mr. Neill, but does the committee consent to Mr. Neill asking questions? Mr. Neill is not a member of the committee. Has the committee any objection?

Mr. LOCKHART: No. Mr. Neill is a man who knows his own province very well, and I should think he should be allowed to ask questions.

The ACTING CHAIRMAN: Very well. Will you carry on, Mr. Neill?

Mr. MACINNIS: If the committee has no objections, Mr. Chairman, I would suggest that within reasonable limits the British Columbia members who are interested in this matter be allowed to ask questions; that is, under the control of the chair.

The ACTING CHAIRMAN: Is it the wish of the committee that the British Columbia members who are here present but not members of the committee be allowed to ask questions?

Carried.

Mr. ROSS (*Souris*): Is your telephone a rural telephone, Mr. Neill?

Mr. NEILL: Yes. It is a city telephone, but it is rural as far as it being outside is concerned.

Mr. HAMILTON: You are talking of Alberni?

Mr. NEILL: My office.

Mr. HAMILTON: I am sorry; I have not got our tariffs on rates for all the different exchanges.

Mr. NEILL: I think you mentioned \$3 to this gentleman.

Mr. ROSS (*Souris*): Yes; he said \$3 for an office telephone.

Mr. HAMILTON: I said that in some of the exchanges, depending on the size of the exchange, I think the rate for a residence phone is \$2, and for a two-party line within a one-mile radius it is \$1.50. I am not sure whether it is \$3 or \$4 for a business phone in Alberni. I cannot tell you. You could not call Alberni a rural exchange. Alberni has something over 2,000 telephones within a radius of three or four miles of the exchange.

Mr. NEILL: Would that make it dearer because there were two or three thousand phones attached to that particular exchange?

Mr. HAMILTON: Generally speaking, rates are based on the number of services attached to an exchange.

Mr. NEILL: It does not get dearer as the number increases.

Mr. HAMILTON: Yes.

Mr. NEILL: The more phones attached to an exchange the dearer the cost?

Mr. HAMILTON: Yes, sir.

Mr. ROSS (*Souris*): You do not follow this policy, do you, of servicing the rural parts of B.C. at a loss and making up the difference on the city phones?

Mr. NEILL: No.

Mr. HAMILTON: No. I do not know that there is any telephone company operating to-day that is not servicing the rural areas within the confines of the territory in which they operate which is making any large return on the capital involved in giving those services.

Mr. ROSS (*Souris*): Do you give service to the rural parts of the country at a slight loss and make up the difference from the city phones; I am not advocating that at all; I was just wondering if you had any such policy?

Mr. HAMILTON: These rental fees that we charge have all been developed over years of usage and custom and have the complete approval of the authorities.

Mr. ROSS (*Souris*): Based on the same policy throughout the province?

Mr. HAMILTON: Yes.

Mr. HOWDEN: The witness made a statement which to me was very interesting, namely, that the greater number of telephones the dearer the cost. I should like to have that definitely settled.

Hon. Mr. HOWE: I have been following telephone matters as the Minister of Transport for some years, and I think it is a basic fact that the larger the exchange the greater the cost for individual telephones.

Mr. McCULLOCH: That is the same thing with every telephone company?

Hon. Mr. HOWE: Yes; it is the same with every telephone company.

Mr. O'NEILL: Does it give a fair picture to say that to extend the service to 5,000 new telephones would cost \$1,200,000 more?

Hon. Mr. HOWE: I am not an expert on dollars and cents, but I was just stating a principle that I have heard expressed so often before the Board of Transport Commissioners.

Mr. HAMILTON: If I may answer your question, Mr. O'Neill, when we extend our service, say, in this current year, the existing rates and charges are supposed to take care of all operating costs and everything associated with the increased service. You were asking about an increase of 5,000 telephones. If we increased the number to 5,000 telephones, we are not just putting out a plant or facilities for 5,000 telephones unless there is a demand for the service that will give us the necessary return in the authorized rates and charges; so that any additional capital expenditure will carry itself to-day under the present rates and charges. I say to-day.

Mr. CRICKSHANK: May I ask a question, Mr. Chairman? I would like that repeated, because I happen to be a member from British Columbia, and in case you do not know it, I am from a rural district. I pay \$4 for my telephone, but that is not the question. If I understood Major Hamilton correctly, he said the increase in capital would not and should not be considered to have any connection with rates. Am I correct in your statement, Major Hamilton?

Mr. HAMILTON: I said that at the present time, under present conditions, with the extension of our facilities to meet the public demand, the revenue derived from the rates and charges as now authorized should now be sufficient to cover all costs involved by the public demand. I say at the present time. I do not know what the conditions are going to be five years or ten years or twenty years from now.

Mr. CRICKSHANK: I should like to ask another question. If the present rates under the present capital set-up are sufficient, I would like a clearer definition of why you say "at the present time"? If they are sufficient, as I see it now, why do you say "at the present time"?

Mr. HAMILTON: Five or ten years from now the costs of operation beyond the control of the company may be such that the rates and charges now in effect would not be sufficient to meet the costs of carrying on. Wage costs may go up; material costs may go up, and a piece of plant that you can put in to-day for \$100 might cost \$200 ten years from now. Supposing the operating cost of a particular unit to-day was \$100; for reasons beyond our control it might cost \$200 five or ten years from now. The question then is, are the current rates, under current conditions, sufficient to meet the requirements of the company?

Mr. MACINNIS: Mr. Chairman, as far as the bill now before us is concerned, I think Major Hamilton gave an undertaking in writing to the city of Vancouver that the increase in capital authorized at this time would not be used as a basis for an advance in the present rates?

Mr. HAMILTON: Yes.

Mr. MACINNIS: That is quite definite?

Mr. HAMILTON: The increase in the authorized—

Mr. MACINNIS: The authorization applied for now will not be used as a basis for an advance in the present rate.

Mr. HAMILTON: I did say that.

Mr. JACKMAN: I wonder if I might inquire how the rates are fixed? I wonder if I could describe it as I think I understand it. Parliament simply gives you the authorization to create more capital; then, if you need money to extend your services to meet the demand, you have to apply to the Board of Transport Commissioners for permission.

Mr. HAMILTON: Yes.

Mr. JACKMAN: Do they fix the price at which you sell the stock?

Mr. HAMILTON: Yes.

Mr. JACKMAN: Do they have any control over what you use that money for? Do you have to set forth a plan before you get their permission to sell the stock?

Mr. HAMILTON: We must satisfy the board that the additional monies that we are asking for to extend our facilities are reasonable and properly required to meet the demands of the public.

Mr. JACKMAN: The rate that you are allowed to earn on the money that you spend for development equipment, that rate is fixed by the board?

Mr. HAMILTON: Yes.

Mr. JACKMAN: Is it the same as that applied to all other telephone systems in Canada? The Bell Telephone system is allowed to earn 8 per cent on plant investment?

Mr. HAMILTON: Not on plant investment, no; they are allowed to earn sufficient to meet their capital commitments.

Mr. JACKMAN: Well, is the amount or rate fixed by the Board of Transport Commissioners based on your outstanding capital or based on the cost of your plant; in other words, it makes a difference whether you borrow on bonds at 5 per cent or whether you issue stock at 7 or 8 per cent?

Mr. HAMILTON: I cannot say what the Board of Transport Commissioners are going to do on any particular application.

Mr. JACKMAN: What has been their practice in the past; do they base it on the capital or the amount of money going into the plant?

Mr. HAMILTON: I think, first of all, they assure themselves that the used and useful plant and equipment in the service of the public is reasonable, irrespective of the amount of stock and bonds, and what not, that are outstanding.

Mr. BLACK: What is the total value of the used and useful assets in the company that has been recognized by the Board of Transport Commissioners?

Mr. HAMILTON: I would say the amount of used and useful plant at any particular time that you make application would be taken into consideration.

Mr. BLACK: What is it at the present time? What I want to get at is how that compares with the capital, and so on?

Mr. HAMILTON: At the present time the value of our plant and equipment is somewhere in the neighbourhood of \$31,000,000.

Mr. BLACK: Against which there would be large write-offs?

Mr. HAMILTON: Against which we have built up a reserve for depreciation of some eight odd million dollars. That gives you a net valuation of approximately \$23,000,000. I am just answering your question in a rough and ready way. So that at all times you must have 100 per cent value in your plant represented by your bonds and outstanding capital. I take it all these factors are taken in by the various boards when considering the requirements of the company.

The ACTING CHAIRMAN: Well, gentlemen, we have had a fairly full discussion from these two witnesses. Are there any further representations to the committee?

Mr. GREEN: I wonder if I might ask a question.

The CHAIRMAN: Yes.

By Mr. Green (to Major Hamilton):

Q. Major Hamilton, you gave this undertaking in writing to the mayor and council of the city of Vancouver, the undertaking which Mr. MacInnis previously mentioned, did you not?—A. Yes.

Q. You gave an undertaking as vice-president and general manager of the company?—A. Yes.

Q. Was it in these words? I am quoting from the Vancouver Daily Province.

DEAR SIR: Replying to your request that I put in writing my verbal statement regarding the company's application to increase its authorized capital in so far as it may affect telephone rates, the company undertake that the authorization now applied for by this company to the dominion parliament will not in any way be used or advanced by the company as a reason for altering in any way telephone rates and charges in force by authority of the Board of Transport Commissioners for Canada.

A. Yes.

Q. Is that the undertaking that you gave?—A. That is the undertaking that I gave.

Q. The first paragraph of this article reads as follows:—

A written pledge from B.C. Telephone Company never to use the \$10,000,000 increase in capitalization, for which it is seeking parliamentary authority, as an argument for higher telephone rates in Vancouver, was received by Mayor Cornett to-day.

A. Yes.

Q. Just how far do you think that undertaking goes and in just what way does it bind the company?—A. I was dealing with the authorized capital only.

Q. In other words you were dealing with authorized capital as distinct from issued capital?—A. Yes, sir, and that is what I was asked for and that was entirely understood. Unfortunately there is four hours' difference in time between here and Vancouver. I could get that understanding with the city council and with the Province newspaper or people who wanted to make that clear in the minds of the public. I will be very pleased to communicate immediately and confirm what I say that that was the distinct understanding.

Q. Of course, Major, would not that mean that the letter is not worth the paper it is written on, because if it meant only the authorized capital that is authorized by parliament and not meant to cover the issued capital what possible protection is there for the people?—A. First of all we have to get authorization. Then after we get authorization we have to get permission and we have to establish the necessity and to have the facts of the case before we get the permission. We have undertaken to notify both the city of Vancouver and the Union of B.C. Municipalities who are representatives of all duly elected public representatives in British Columbia, before we make any application to the Board of Transport Commissioners for permission to issue any of this authorized capital, when full facts and everything in connection with the application will be placed before them, and if they are not satisfied they have the right to make their representations, oppose or otherwise approve of our application to the board to be allowed to get outside capital into the company to provide services and facilities for public service.

Q. Yes. But as I understand it the authorized capital may be any figure.—
A. Yes.

Q. Whatever portion of that capital is not issued would have no effect whatever in the setting of rates; it simply does not enter into the picture at all? —A. It does not.

Q. So the fact this parliament authorized you to increase your capital by \$5,000,000 or \$10,000,000 does not affect the Board of Transport Commissioners' rates at all except in so far as that capital is issued?—A. Exactly.

Q. So that if your undertaking to the city only covered what this parliament might authorize by way of increase in capital that could not possibly enter into the picture so far as the setting of rates is concerned?—A. No, it could not.

Q. That is right. So the letter does not help the city at all; but you can see from the first paragraph that the public at any rate—I do not know about the city council—took it that there is an undertaking that there will be no increase in the rate because of any of this capital that is issued as distinct from authorized. Is not that the case?—A. Issued capital and authorized capital are two entirely different propositions and the public had in their mind that we were going out to issue \$10,000,000 and we had the right to earn on that \$10,000,000.

Q. Yes. If this undertaking is no good then you are free to go to the Board of Transport Commissioners, and when an increase in your issued capital is authorized and you actually issue those shares then you are entitled to earn up to 8 per cent on the common shares, are you not?—A. Yes.

Q. Then you say this undertaking would not bind you at all and would not help the public at all in that case. Is that correct?

Mr. MacINNIS: Before Major Hamilton answers that question may I be permitted to put it another way? Possibly I am handicapped by not having a legal mind, but it may be just the other way.

By Mr. MacInnis:

Q. There can be no issued capital unless there is authorized capital?—
A. That is correct.

Q. Does not the undertaking given in regard to the authorized capital apply to that capital when it is issued? If that is not the case then surely when you gave an undertaking in regard to authorized capital you must have had your tongue in your cheek?—A. No, sir.

Q. I am not saying you had, but if it did not apply to the issued capital it would appear to me that way because there could be no issued capital until it was authorized. What applies to the authorized capital would apply in whole or in part to the whole or to the part of the issued capital, otherwise it has no sense whatsoever.

Mr. Ross (*Calgary East*): I was not in at the beginning, Mr. Chairman, so I should like to get some facts and to get some of these matters cleared up. If this company extends its services by expending \$5,000,000 more in giving additional telephones to the present users it is going to cost some more to service them than what the original number cost. Suppose they give 1,000 additional telephones to the present users. It is going to cost them extra to do that, and are they not going to have the right to raise the rates in order to give this additional service? That is the way the telephone works out. Let me put it this way: suppose at the present time there are 1,000 telephone customers of the telephone company in Vancouver. If they are going to increase that to 2,000 customers then the existing telephone customers are going to get double the service they have had in the past. If they get that they must expect to pay more. I am just trying to get at the facts of this thing. I would think they would have to raise the rates to give that double service.

Mr. DUPUIS: They would have double the income.

Mr. ROSS: (*Calgary East*): We know that it costs more to service 2,000 customers, to give the customers in excess of 2,000 phones, than to give them 1,000 phones. It costs quite a lot more.

Mr. GREEN: I do not know whether you were here at the time Major Hamilton said that at the present time under present conditions the existing phone charges will carry any extension of facilities.

Mr. ROSS: (*Calgary East*): No, I was not here.

Mr. GREEN: He has already told us that the existing rate would carry the extension of facilities.

Mr. MACINNIS: Will Major Hamilton answer the question I have asked with regard to the undertaking on one not applying to the other?

Mr. HAMILTON: Well, I will put it this way, or answer you this way, Mr. MacInnis: under the present conditions, so far as extensions to our plant and equipment are concerned the revenues produced from this additional service, produced by this additional expenditure, are to-day reasonably sufficient to carry on the company's commitments on wages, maintenance and so forth and pay a reasonable return on the money invested. But do you think it is a reasonable proposition to say that five years or ten years or fifteen years from now. With conditions beyond the control of the company—probably within the control of this legislature—being such that the operating costs of the company go up beyond their ability to cover all these reasonable requirements of the company, that full consideration should not be given to all factors involved at that particular time and reasonable consideration given by the regulatory authorities? I think that is a fair answer to the question.

Mr. MACINNIS: No, Mr. Chairman, it is not an answer at all because we are dealing with quite different things.

By Mr. MacInnis: (to Mr. Hamilton)

Q. Let me put it this way. The city council of the city of Vancouver is concerned with the telephone rates which are paid in the city of Vancouver.—A. Yes.

Q. The British Columbia Telephone Company came before this parliament for an increase in its authorized capital.—A. Yes.

Q. The city of Vancouver was concerned in that and the company appeared before the city council to explain to the council the implications of that increase in capital. Now, remember that the city of Vancouver are not interested in the authorized capital but in the effect that this authorized capital would have on rates when issued, and in order to be assured on the point they asked the British Columbia Telephone Company to give them an assurance that in the event that the telephone company had that new stock under this newly authorized capital that Major Hamilton would undertake for the company that it would not be used as a basis for asking for an increase in rates. Now then, it seems to me that when the city council asked for that assurance they were thinking of the authorized capital when it was issued, and as Major Hamilton must have understood, that was what was in the minds of the members of council, and that is the way it appears here; what happens fifteen or twenty years hence does not apply here, all that is implied here is that the company shall not make this issue of capital the basis for asking for increased rates.—A. Well, I can only say you are now saying that that is what city council had in mind that my letter covered—that is what you say, Mr. MacInnis.

Mr. MACINNIS: Yes.

Mr. HAMILTON: Yes. Now, I do not think city council had that in mind and I will be quite pleased to get in touch with the city council because I

am definitely positive that they did not interpret it that way; and I would go further than that and if you or Mr. Green representing the city of Vancouver would care to talk to these people, I think that could be done.

Mr. CRICKSHANK: Might I ask Major Hamilton if the city council would not understand it that way? Provision was to be made that no application for an increase of rate on account of this additional capital would be made, according to Hansard at page 3124, where it says:

Provision to be made that no application for an increase of rate to be based upon any increase of the capital stock authorized.

Now, that was given to us by the sponsor of the bill. Surely that is plain English. I want to make that perfectly clear. There is no question about what city council understood or did not understand—provision to be made that no application for an increase of rate to be based upon any increase of the capital stock authorized. I think that is quite clear plain English and should be sufficient for anyone. Was that not the undertaking given?

Hon. Mr. HOWE: Perhaps the provision is not quite clear—

Mr. CRICKSHANK: Pardon me, Mr. Chairman, am I not entitled to an answer?

Hon. Mr. HOWE: Yes, but I just wanted to sum it up; I mean, I have not been following this very closely, but the position I think is this: a telephone company is a natural monopoly. It is to the benefit of the citizens of Vancouver that there be one telephone company serving Vancouver instead of two. Being a natural monopoly this company is regulated by the Board of Transport Commissioners to make sure that its duties are carried out and it has duties as well as privileges through being a natural monopoly; its duty is to give service to the citizens of Vancouver. If there is a large increase in the volume of business the company, as I see it, is bound to give adequate service to those people. This suggested expansion is an important factor in the extension of the telephone service. There are no telephone services to the Department of Munitions and Supply in Vancouver directly, nevertheless, big plants are being built in Vancouver and they are being operated for us by industrial companies, and these plants are served by telephone and it is important to us that they be served by telephone. Some of the new fortifications along the coast need telephone service, and I think it is important that this service should be available, and I think obviously the extension of these services will be incidental to the change in the war status. The point at issue seems to be whether capital raised as a result of this authorization will be any different from any other capital that the firm has. In the first place, this authorization merely allows the company to go to the Board of Transport Commissioners and make a case for being allowed to put additional capital into the business by the sale of stock, and it is the duty of the Board of Transport Commissioners to make sure that any capital put into the business in that way is used wisely. Now, the point at issue I think is this: I think Major Hamilton has the right to say that the authorization of stock would not be used as a rate factor, and logically it could not be used in that way; the only increase in rate that would be granted by the Board of Transport Commissioners would be based on the actual money used in the business; but I think that it is going to be difficult to distinguish the money used in this business as a result of this bill from money that has been put in the business previously in a similar way through the sale of stock. It is my understanding that the suggestion of Mr. MacInnis is that this money put in as a result of the sale of this stock be ear-marked and excluded in the case of any further adjustment of rates. I think if things go on as they are and if it all remains stable and Major Hamilton's statement is correct that the extensions now being put in will be covered by the rates now being charged and there

will be no extension. But on the other hand, if this war goes on for a number of years and the value of the dollar is reduced to say fifty cents there might be the necessity for an increase in telephone rates as there would be in everything else, and in that case I think that the board, or whoever would authorize increased rates then, would find it necessary to look at the total capital of the company rather than to differentiate and say that part of the capital is one position and part has certain restrictions put on it by this committee.

Mr. ROSS (*Souris*): Earlier this morning Mr. Ross of Calgary made a statement before this committee which I find rather difficult to understand. He said that an increase in the number of telephone services would mean an increase in rates. How would you explain that?

Hon. Mr. HOWE: I think the result of general practice shows that the telephone rates of a small city or area are usually lower than are the telephone rates in a large city, for the reason that the central equipment is less involved. For instance, the rates in Toronto are higher than they are in Ottawa; and Montreal I understand is higher than Toronto. As the service to the subscriber increases there is a corresponding increase in telephone cost. Where you have to service a city of 100,000 subscribers it is a more expensive proposition because of the type of equipment involved than would be the case where you had to service a unit of 25,000 subscribers. I have been told repeatedly, and I think it is an accepted fact, that to service a city of 100,000, to provide switchboard facilities for that is much more expensive than would be the cost of providing switchboard facilities and associated equipment for the city of 25,000. Major Hamilton can correct me on that if I am wrong.

Mr. DUBOIS: Mr. Chairman, there is another factor involved there and that is the factor of revenue which increases with the increase in subscribers. Is that factor taken into consideration in the statement which Mr. Howe has just made?

Hon. Mr. HOWE: Yes. I am told that the cost of servicing 100,000 phones per phone is higher than the cost of servicing 25,000.

Mr. CRICKSHANK: Do you believe that to be correct?

Hon. Mr. HOWE: Yes, I believe that to be correct. You must have a more elaborate installation to service 100,000 telephones than you would require to service a smaller unit.

Mr. CRICKSHANK: Well, might I ask a question then: Would it cost more to service a telephone system for we will say 100 farmers living within a area of one mile—am I to understand you to say that it would cost more to serve 100 farmers living in an area of one mile than it would say 100 people living in one block in this city?

Hon. Mr. HOWE: You mean, compare 100 people living in say, this block, this building, with 100 people living in larger area—

Mr. CRICKSHANK: That has nothing to do with the question at all; that is, facilities provided for a greater volume might work out the other way—with all due respect to you, sir, nobody can tell me that it is cheaper to supply 100 people spread over a great area than it would be to supply 100 people who are in just one building. I do not believe that. Nobody can tell me that that is so.

Hon. Mr. HOWE: I beg leave to disagree with you.

The ACTING CHAIRMAN: Have you any other questions?

Mr. GREEN: The minister made one statement and I would like to ask him a question in connection with it. I think it cannot be denied that a very large proportion of the capital that will be expended will really be used for war purposes; in other words, it is not for the citizens of Vancouver or Victoria

or other parts of British Columbia, it is for war services, and yet that would be useless after the war; and within five or six years, after the war, the company may come along and ask for an increase in their telephone rates in order to keep up their payments of 8 per cent interest on the capital issued. Does the minister think that that is a fair situation, that the ordinary telephone users like Major Hamilton and myself who happen to live in Vancouver should pay the return on a service, or be charged for payment of the interest on capital expended for war purposes. I do suggest to the minister that that is a burden which should be carried by the government, that it should not be expected from the subscribers or of the man who buys the capital stock of the company. As I see it that makes quite a difference, when we come to consider the distinction between this request for increase in capitalization and an ordinary increase in capital. The minister himself said at page 2136 of *Hansard*:

The telephone companies are being called upon to expand to meet war requirements.

One expansion in which I know this company is involved is in the matter of ship to shore telephones. A good deal of expansion has taken place there, and the burden of long distance calls arising out of the war do call for extensive additional facilities.

We are asking that the capital spent on war purposes should not be a charge against the rates, should not be used to increase rates.

Hon. Mr. Howe: We have been considering that previously. For instance, we had a very large expansion of telephone services in 1929 and in 1933 the telephone companies cut their dividends—at least, I know the Bell did—for the reason that their earnings dropped, and there was no increase in the rates on that account, and we all know that the normal growth of this country picks up these situations in the long run. I spoke of ship to shore telephones. Of course, that is more necessary in war time than it is in peace time, but it is a peace time development as well as a war time development. We were installing it on the Great Lakes before the war came on. We had a considerable installation and we have extended it since. It is more necessary perhaps in war time than in peace time, but I merely mention that as one service the telephone company has been called upon to perform, to expand to meet day to day requirements. It is quite possible that all the telephone companies in this country will suffer a reduction in revenue after the war. I do not think any of us can say positively whether they will or will not; but we do know that our industrial cities such as Vancouver, Hamilton, Toronto and Montreal are expanding rapidly and as a consequence a very considerable expansion of telephone facilities is demanded. I do not suppose it would surprise the telephone company if they had a drop in revenue after the war; nor do I think it would follow that they would immediately seek to increase their rates.

Mr. Glines: I do not think it is fair that they should be able to base their argument for an increase in rates on increased capital.

Hon. Mr. Howe: I do not expect they will. I imagine they will take their punishment and wait for a firmer growth of the area to restore their earnings. In any event, I do not see how you are going to distinguish between two types of money within the company's financial structure. You say they should only be allowed to pay dividends on the money already in the company, but not on the money which would be put into the company as a result of this authorization of increased capital. I do not see how they are going to distinguish between those two types of capital say ten, twenty or thirty years from now when they apply to the Board of Transport Commissioners, let us say, asking for an increase in revenue due to higher operating costs. I do not

see how you can distinguish between the money already in the company and the \$5,000,000 odd which may come into the company in the period between 1941 and 1946. I would suggest that it could not be regarded as money that was not entitled to earn a return.

Mr. LOCKHART: Before you complete that, Mr. Howe, may I say that I am guided largely by your experience in many of these matters. This company is asking for an increase of capital structure or authorization, at least, that will ultimately result in the issuing of stock of this company. It is recognized, I think, in Canada that an abnormal situation has arisen; I take that from Mr. Howe's statement. After the recession comes—or at least when this abnormal condition ceases, would it be fair to put on the established users of the telephone in any section of the country the cost of an increased capitalization and issued capital? Would it not be fair to issue—as this company has recently done, I am informed—short term bonds to meet a situation of this kind and retire those bonds out of the present increased revenue and not load them upon the established customers in any telephone community? I am just asking if that is not a reasonable thing to do in a situation of this kind. Would your experience not lead you to say that would be reasonable?

Hon. Mr. HOWE: I might say that all telephone companies apply to parliament from time to time for increases in capitalization; and all the companies, I think, are enlarging their investments to meet the present day conditions. It just so happens that this company happened to enter the war without anything in reserve for authorized expansion of capital. As I said before, I do not think it follows that if they extend their services to meet war needs, those charges will be put back on the customers. I was pointing to 1929 when there was a very great expansion in business in this country. All the telephone companies raised additional money to provide facilities to meet the expansion of that day; and as I said, in 1933 and 1934 they all cut their dividends because their earnings would not carry the investment they had at that time. Since then business has built up again and the dividends have been restored. I think that may happen after the war, but I do not think that a drop in business would be a reason for the Board of Transport Commissioners to authorize an increase in rates. I do not think that would be recognized as a reason to increase rates.

Mr. LOCKHART: May I follow that up and complete it, Mr. Howe, dovetailing into my desire for information? Is it not true, Mr. Hamilton, that your company issued some short term bonds at four and a half per cent? I am so informed by people living out there; I have close relatives in your city. Was that not done within recent years? And then could that not be done now to meet this present situation without loading an issue of capital back on the subscribers that may be two or three years hence?

Mr. HAMILTON: In a company such as this, you must have a reasonably balanced structure. In other words, you cannot issue bonds beyond a certain reasonable limit.

Mr. LOCKHART: Have you retired any of the previous recent issue?

Mr. HAMILTON: We had retired other issues because we got a better deal for the company on current issues. We took advantage of that for the past number of years because we found that we could get cheaper money to the advantage of the company.

Mr. LOCKHART: You could still get cheaper money now, could you not?

Mr. HAMILTON: We probably could get cheaper money now, yes.

Mr. LOCKHART: Do you not consider that would be a feasible way of financing this situation? Would you answer that?

Mr. HAMILTON: You cannot issue bonds and mortgage your property beyond a certain point.

Mr. LOCKHART: Have you not reduced that?

Mr. HAMILTON: No. Our bond issues to-day are equal to about 55 per cent of our total investments.

Mr. BLACK: What is the amount of the bond issue?

Mr. HAMILTON: Twelve and a half millions. These are not short term bonds. These bonds are not redeemable until 1961.

Mr. JACKMAN: They do not mature until then?

Mr. HAMILTON: They do not mature until 1961.

Mr. JACKMAN: Is there a special rate charged for ship-to-shore phones?

Mr. HAMILTON: Yes.

Mr. JACKMAN: A sufficient rate, perhaps, to amortize that equipment?

Mr. HAMILTON: Yes.

Mr. JACKMAN: Would it be possible, in connection with these war industries and with the people who are working in the war industries, to have a higher rate per station for them than there would be for the general population? Could you have two different rates for labourers, one working in the war industry and one working in a peace-time industry?

Mr. HAMILTON: I think I have already pointed out that the actual development to meet these conditions is not arising directly from the war industries. It is indirectly, because of the demand from the general public. I have already stated that our growth—

Mr. JACKMAN: Would you please answer my question directly? It would seem to me to be utterly impossible to have a rate for Tom Jones here and John Smith there, if one happened to be engaged in a war industry and the other in some different industry.

Mr. HAMILTON: Yes.

Mr. JACKMAN: You cannot have different rates for the same class of service. You must have a uniform rate there. I have never heard, certainly in the House of Commons, any request from the members for the different provinces other than those from Ontario and Quebec not to have war industries. I do not see how they can expect to have war industries without some of their attendant objections—the bitter with the sweet. There are certain objections perhaps to having war industries and one of the objections is raised by the cost of providing telephone service. You have got to provide a supply there which may be only of a temporary character; but you must weigh the whole thing as to whether or not it is beneficial to the province to have a new industry start there now and which may create extra costs. So I do not see how you can differentiate between telephones which would supply war industries and those which might possibly be just for peace industries.

Then I should like to see if we could not reconcile Mr. Cruickshank's statement with Mr. Howe's statement. Mr. Cruickshank stated that he did not believe, no matter how much extra evidence was adduced, that one hundred telephones in a close area could not be serviced more cheaply than one hundred telephones in an extended rural area. I think that is possibly so. But Mr. Cruickshank must bear in mind that with one hundred telephones added to a large system, the hundreds become thousands—and here there are eight thousand telephones to be added in this area during 1941—it does add to the central cost; because where you have a large area of 50,000 or 100,000 telephones, everybody can connect with every other person without any toll charge, so that your overhead costs go up all the time and the inter-connecting costs rise. It is what they call in economics, if I remember correctly, the law of increasing costs or diminishing returns. But there is a point, I should think where a small system of only a few hundred telephones might be more costly

per unit. Then you arrive at a point where 2,000 or 3,000 telephones connected can give the cheapest possible unit cost service; but as soon as you start increasing beyond that, your costs per unit start going up. So I do not think there is any necessary difference of opinion arising out of Mr. Cruickshank's statement and Mr. Howe's statement.

Might I also point out or ask this question; is it not customary, as the business has grown up, that practically 80 per cent or perhaps 90 per cent of the telephones on this continent are operated by companies which have subsidiaries which manufacture their own equipment? For instance, we have the Bell Telephone Company which owns the Northern Electric Company, which supplies, I suppose, the bulk of its equipment. In the United States, under the American Telephone and Telegraph system, which owns or controls all the local Bell companies, they have the Westinghouse Electric.

Mr. FULFORD: The Western Electric.

Mr. JACKMAN: Yes, the Western Electric, which provides them with all their equipment, and there is an inter-locking between the A.T. & T. and the Bell Telephone Company. In other words, the relationship between Associated Telegraph and Telephone Company and its subsidiary in British Columbia and its subsidiary the Phillips Electric Company is similar in character. While we may not like that relationship, nevertheless it is a type of relationship which has grown up in the telephone industry on this continent and perhaps elsewhere as far as I know. There is nothing unusual or unique in the picture about the relationship of the B.C. Telephone and the Phillips Electric Company any more than there is between the Bell Telephone Company and the Northern Electric Company in Canada. Is that so?

Mr. HAMILTON: That is so.

Mr. MACINNIS: Mr. Chairman, I think I should make my position clear on this. I am not opposing this bill just merely for the matter of opposing it. The company introduced a bill that met with opposition in the House. Later on the sponsor of the bill, I think, met with the members who were opposed to the bill, and we came to a certain understanding that if there were certain amendments made we would facilitate or would not oppose the passage of the bill. I want to put myself on record as being in agreement with that understanding; if we get an assurance that the amendments mean what they say, then I am prepared to facilitate the passage of the bill. The question of the assurance given by Major Hamilton on the authorized capital to the city of Vancouver has been discussed. If the authorized capital can have no effect on the rates, then they might just as well have been \$100,000,000 as \$10,000,000, because that did not come into the picture until it was issued. That is the point. This letter to the city of Vancouver, the council of Vancouver, must have meant something or it does not mean anything. To the mayor of Vancouver it certainly did mean something. I am quoting from a news item in the Vancouver Daily Province of May 14:—

A written pledge from the B.C. Telephone Company never to use the \$10,000,000 increase in capitalization, for which it is seeking parliamentary authority, as an argument for higher telephone rates in Vancouver, was received by Mayor Cornett to-day.

This is quoting the mayor's statement. The mayor said:—

I believe it will properly safeguard the interests of our citizens. The mayor certainly had in mind that when any capital was issued, the interests of the telephone users in Vancouver were safeguarded by the letter received from Major Hamilton, namely, that there would be no increase asked for in rates.

With regard to the point raised by the Minister of Munitions and Supply, Mr. Howe, that we try to differentiate between capital subscribed at two different times, may I say that obviously that would be impossible. There can be no such differentiation, and really it is a matter of time. When Major Hamilton gave this undertaking, he could not give an undertaking over a long period of years, for the next 25 years or so, but he did give an undertaking for a certain time—I would take it to be for possibly a year, although it might not be that. In any case reasonable people will have to deal with things as they develop and if there are unforeseen circumstances that would unduly increase the cost, then we will be compelled to take those factors into consideration. I should like to know exactly what is meant by this letter. If it does not mean that the authorized capital would not be used as a basis for asking for an increase in rates, it does not mean a thing, it does not mean anything; and Major Hamilton knew that when he wrote the letter. If it means something, then it means that when that capital is issued in whole or in part, it will not be used as a basis for asking for increased rates.

THE ACTING CHAIRMAN: Major Hamilton has answered that question. He may not have answered it to your satisfaction, but I think you asked it in two different ways and he has answered it.

MR. CRUICKSHANK: Mr. Chairman, might I have an answer to my question?

THE ACTING CHAIRMAN: The minister has answered your question.

MR. CRUICKSHANK: I beg your pardon, Mr. Chairman. I asked Major Hamilton the question.

MR. MACINNIS: Would Major Hamilton give this answer again?

MR. HAMILTON: I think that Mr. MacInnis in his statement now said that three or four, five or ten years from now, if there is such a drastic change in conditions, reasonable consideration should be given to the company to carry on its operations, and that any plant and equipment used and useful in the service of the public should be given reasonable consideration in a return to the company as at that time. Did you make that statement?

MR. MACINNIS: Yes. I am opposed in principle to private ownership of such businesses as the B. C. telephone, but as long as we allow such ownership, reasonable means of operation must be allowed.

MR. HAMILTON: If that is your understanding of what the undertaking was that was given by the sponsor of the bill, then that is also my understanding.

MR. MACINNIS: Yes, but what was the meaning of this letter? What did it mean in the matter of rates? What assurance does it give in the matter of rates? Did it give any?

MR. HAMILTON: When I discussed that with the city authorities I asked them, "What type of letter do you want?" I drafted up the letter and sent the letter up to the city for them to alter it in any way in so far as their understanding of this question was. That is the letter that was approved by the council or by the city, and also the other party who is raising the question, the *Vancouver Daily Province*. Now, I did ask them this question: Do you interpret that to mean that any additional moneys put into this company to meet public demand—properly put in under existing tariffs, and so forth, and after permission and approval of the city and other authorities who have full knowledge of what has been done—that such additional capital should not be given fair consideration when conditions over which the company has no control arise, such as the devaluation of your dollar, as the minister put it, from a dollar to fifty cents; that any consideration to be given by the regulatory authorities should not be taken into consideration? And they said, "Not by any means, no; that is not the understanding". And that is exactly in line with the statement that was made by Mr. MacInnis.

Now, taking Mr. Green's proposition, Mr. Green, as I take it, is only concerned with any capital extensions that this company may be called upon to provide because of our abnormal war situation; that if after this war we are left with a bunch of plant and equipment on our hands that is not useable or useful to provide the services under normal conditions, then because that was done by the company to take care of an abnormal situation that the costs of that should not be saddled on the subscribers or the telephone users. Am I stating your statement correctly, Mr. Green?

Mr. DUPUIS: If I understand you correctly, you do not give a guarantee that the rate will not increase, but that if it does increase the capital will not enter as a factor in increasing the rate?

Mr. HAMILTON: Not the factors in increasing the rate would be factors beyond the control of the company.

Mr. DUPUIS: Yes, factors other than the increase of capital.

Mr. HAMILTON: Yes.

Mr. FULFORD: As I understand it, stock will only be issued on the authority of the Board of Transport Commissioners when it is proven to them that increased services warrant the increase in capital.

Mr. HAMILTON: Yes.

Mr. FULFORD: In other words, you increase the number of your units, so that you can spread out your costs over a larger number of stations; therefore the pro rata rate will remain constant; it makes no difference how much material you have as long as you have more units to furnish the returns on the capital invested?

Mr. HAMILTON: Yes.

Mr. CRUICKSHANK: Mr. Chairman, may I have my question answered?

The ACTING CHAIRMAN: Colonel Stairs will answer your question Mr. Cruickshank.

Mr. STAIRS: Mr. Chairman and gentlemen, I understand that Mr. Cruickshank is reading from *Hansard*?

Mr. CRUICKSHANK: Yes.

Mr. STAIRS: He has asked for an explanation of part of the statement, I think we would make more progress, gentlemen—it is not for me to attempt to direct your deliberations, of course—but this is to be the subject of an amendment to a section, and would it not be better to suspend discussion of this until we reach that section?

The ACTING CHAIRMAN: That is what I was going to suggest. I was going to suggest a moment ago when Mr. MacInnis asked the question following upon what Mr. Green had said that perhaps we might hear any additional discussion, if there is any, and then meet with the point that you have raised in this suggested amendment to which Colonel Stairs refers. If that is agreeable to the committee perhaps we might proceed. We have already been almost two hours hearing representations from these two gentlemen. Of course, I am in the hands of the committee.

Mr. LOCKHART: Are there any further representations?

The ACTING CHAIRMAN: Yes, I understand there are further representations to be made.

Mr. NEILL: I would like to ask just two questions.

The ACTING CHAIRMAN: All right.

Mr. CRUICKSHANK: Mr. Chairman, I have received several wires and it may be necessary to bring some people here from the province of British Columbia. I think I can say, although I am not speaking officially, that I am acting for more municipalities than any member from British Columbia.

I wired them and spent a lot of time and money, as a matter of fact, giving them an assurance as quoted in *Hansard*. I assured these Boards of Trades and other organizations that wired me that their worry was overcome by an assurance which I quoted from *Hansard*. Now, it may be necessary for me to contact these people again to-day, and, frankly, I have not got at my disposal the telephone services. I have asked for an answer to my question, Mr. Chairman, in order that I can answer these people from British Columbia to-day by wire.

THE ACTING CHAIRMAN: With reference to the undertaking, Mr. Cruickshank, both Major Hamilton and Mr. Farrell have attempted to answer it. What I was suggesting was this: that your point will be discussed again under one of the sections of the bill and I wondered if the committee would not consent to hearing additional representations so that we might dispose of the witnesses at this stage. Is the committee agreeable to that?

MR. LOCKHART: Mr. Chairman, Major Hamilton has not answered that question. I believe under a charter they are permitted up to 75 per cent of the first mortgage bonds. In your charter I believe that is stipulated?

MR. STAIRS: Yes.

MR. LOCKHART: I think your statement was that you had only issued 55 per cent. Is it not possible to answer that question? Is it not possible to issue further first mortgage bonds to meet this abnormal situation rather than ask for an increase in capitalization. That is one of the points on which I would like a definite answer?

MR. STAIRS: Mr. Chairman, I can answer that. As a matter of fact, I happened to be the man who drew the mortgage, with the help of other people. The mortgage is in more or less standard form. It permits a certain amount of bonds to be issued in the first place.

MR. LOCKHART: 75 per cent?

MR. STAIRS: No, there is no limitation of that kind. There were so many bonds issued; I do not remember at the moment just what it was. Those were applied in redeeming other bonds. The 75 per cent clause does not mean 75 per cent of the total amount of the property, or 75 per cent of anything like that. It is simply that if new additions are made bonds up to 75 per cent of the amount of those additions can be issued, which necessitates finding the other 25 per cent of the cost of the additions in other ways, by new capital or savings of the company or in some other way.

Then there is another condition on the issued bonds, that the earnings of the company must bear a certain proportion to the total amount of the bond interest. Speaking from memory, I think it is two and one half times. So that the rate of earnings comes in there. What Major Hamilton was referring to in speaking of 55 per cent was simply the ratio of bonds to capital, which has nothing to do with the legal conditions imposed by the trustee, but relates to business conditions and your ability to sell the bonds as a sound security. The two are quite different things. The fact of the matter is that the company is now getting to the point where it will be necessary to have some of the additional capital necessary to cover expansions invested in the form of stock, otherwise the bonds and stock would begin to get out of balance.

MR. LOCKHART: You said definitely, then, that the condition of the company is that you could not issue bonds to meet this abnormal condition?

MR. STAIRS: Oh, no, I did not say that at all.

MR. LOCKHART: I thought that was a reasonable solution, and I am asking you whether you consider it to be reasonable?

MR. STAIRS: The company has the legal right to issue the bonds; whether it could sell them is another question.

Mr. LOCKHART: What is the reason you prefer to do it this way rather than the other way?

Mr. STAIRS: Because the time is approaching when it will be necessary, as I say, to—you might say—sweeten the capital with a little more—

Mr. LOCKHART: That is a good term?

Mr. STAIRS: —money in the form of share capital as distinguished from bonds to keep the thing in balance. It would be possible to find possibly some additional capital now by the sale of bonds; of course, not at the present time, because there is no intention of issuing any capital in any form at the moment, and an undertaking is to be given that none of this stock will be issued until after September.

Mr. CRUICKSHANK: Mr. Chairman, may I not have an answer to my question? One question has been answered. I admit I am not a member of this committee, but I was permitted to ask questions by several of the committee, and I would like to have an answer. Am I to be refused an answer?

The ACTING CHAIRMAN: You are not to be refused an answer. My understanding of your question was this; that it had to do with a proposed amendment to the bill, and I wondered whether you would not wait until then. If you insist upon an answer now—

Mr. CRUICKSHANK: I am not opposed to this bill; as a matter of fact, I am in favour of this company, but I represent certain people and I have to contact them in Vancouver or British Columbia.

The ACTING CHAIRMAN: Will you put the question again?

Mr. CRUICKSHANK: Does the company agree with the undertaking and guarantee given to the parliament of the Dominion of Canada representing the people of the entire dominion by the sponsor of the bill as set out on page 3124 of *Hansard* dated May 16, 1941, as follows:

Provision to be made that no application for an increase of rates to be based upon any increase of the issue of the capital stock authorized.

The ACTING CHAIRMAN: Mr. Cruickshank, I do not want to be unfair to you but my understanding is that this question has been answered.

Mr. CRUICKSHANK: Mr. Chairman, as I say, I am not a member of this committee, but I would like an answer to the question. I admit I am in the hands of the committee.

The ACTING CHAIRMAN: The point is that you may not have received an answer to your satisfaction?

Mr. CRUICKSHANK: I have had no answer.

The ACTING CHAIRMAN: I think the witness has attempted to answer that question on two occasions. It was raised indirectly by Mr. MacInnis and again by Mr. Green.

Mr. CRUICKSHANK: In this case I have asked for a direct answer. All it requires is Yes or No. I admit that I have no authority here. I am here on sufferance, but I am surely entitled to an answer. It is a plain question, but it must be an embarrassing one or they would answer it.

The ACTING CHAIRMAN: I do not know that it is embarrassing and I do not know whether that remark is in order.

Mr. CRUICKSHANK: I will withdraw the remark.

Mr. McIVOR: I think that those who are in charge could give a positive Yes or No.

The ACTING CHAIRMAN: I should like to hear the question read.

(Reporter read:—

"Mr. Cruickshank: Does the company agree with the undertaking and guarantee given to the parliament of the Dominion of Canada representing the people of the entire dominion by the sponsor of the bill as set out on page 3124 of *Hansard* dated May 16, 1941, as follows:—

Provision to be made that no application for an increase of rates to be based upon any increase of the issue of the capital stock authorized.)

Mr. STAIRS: Is the question simply: do we agree that that undertaking as given in parliament was given on behalf of the company?

Mr. CRUICKSHANK: Absolutely.

Mr. STAIRS: Of course it was given on behalf of the company. Mr. McGeer had authority to give that undertaking, and the company stands behind it.

Mr. CRUICKSHANK: I am satisfied. If the company stands behind that, I am satisfied.

Mr. STAIRS: But I should add, of course, that it is implied that the statement that "The wording of this clause to be worked out in the committee" refers to a clause to be put into the bill. That is the whole undertaking.

Mr. CRUICKSHANK: I understand now, Mr. Chairman.—I want to be fair about this—that this gentleman—I do not know his name—is definitely saying that the company stands behind it, as far as the Fraser Valley Reeves' Association is concerned.

Mr. STAIRS: I am not talking about the interpretation of it, Mr. Cruickshank.

The ACTING CHAIRMAN: The answer, Mr. Cruickshank, has been taken down by the reporter.

Mr. FULFORD: I would like to move, Mr. Chairman, that if no further representations are to be made, we proceed to examine the bill clause by clause.

Mr. NEILL: Mr. Chairman, I wanted to ask two questions, and I will be very brief. I would like to ask this question of Major Hamilton. He made the statement in answer, I think, to Mr. O'Neill, that the present capitalization—we will not quibble about the exact wording—or set-up was sufficient for a number of years hence; also that the present rates were sufficient, but that the day might come when they would not be sufficient. He visualized a condition where equipment might go up in price.

Certain articles of physical assets would be dearer to buy, and so on, and therefore he wants to reserve the right to change his rates. Looking back over my experience through the years, I would make this suggestion—I would not be opposed if I were positive that mechanical parts would go up. It is much more likely that they will come down. If we look at the improvements which have been made in mechanization during the last fifteen or twenty years, if the improved processes of mechanization are as much as one could reasonably expect, the result would be that it is far more likely that they will be cheaper rather than dearer. In view of the statement by Major Hamilton that he does not anticipate any advance in the immediate future, within five or ten years, is it really essential that this company should ask for an immediate increase in capital? That is one question. My second is, he said and he has repeated, and his associates have repeated, a statement that seems incredible to me: that the more business you do the dearer it is, that if you have 100,000 telephones it is going to cost you more to run them than if you only have fifteen. I was in business at one time in a much more modest way than that, and when the depression came along I found my income cut down. I investigated to ascertain the reason and I found that my overhead could only be cut down to a certain

extent and that my loss was in fact due to climatic conditions which affected particularly that one year and which the next year disappeared. As a result of my observations I found that clearly the overhead does not increase, rather the overhead remains more or less stationary and the more business you do the better. Now, if that is so, and I will take his word for it that it is cheaper to run a company of 50,000 subscribers than it is to run one of 100,000, hadn't we better authorize the starting of another company in Vancouver and then we would have two companies with 50,000 telephones each—or 5,000 telephones each—and then they would be able to run it much more profitably. That is the second question.

Next I want to reiterate my approval of the remarks of Mr. MacInnis when he said that he had nothing against this company, that he looked at the bill in an impersonal way, the same as myself; he said he wanted to see the committee carry out the terms very definitely stated in the House of Commons, that they should be inserted in the bill. He said I want the amendments inserted in the bill that were definitely promised on the floor of the House of Commons, and it appears to me that a very genuine attempt is being made now to avoid that point.

The ACTING CHAIRMAN: Just a moment, will you answer the question by Mr. Neill?

Mr. HAMILTON: Judging by the statements made by both Mr. Neill and Mr. MacInnis I find myself somewhat—I am in line with your general idea as to what safeguards should be put in this bill. I repeat this, could we put anything in this bill, or should we, or is it fair to put anything in this bill that will preclude the company from getting relief when conditions arise over which they have no control? Now both Mr. MacInnis and I think very seriously yourself, Mr. Neill, agree that that should not be. I also made the statement that under conditions as they exist to-day that any extension of our services under our existing rates and tariffs should be carried and can be carried with our existing authorized rates, but if the time should come when the value of the dollar is only fifty cents as against a dollar to-day, then should we carry on under those conditions?

Mr. NEILL: Yes, you might be able to buy at cheaper rates.

Mr. FULFORD: Not if it is inflation.

Mr. HAMILTON: Now I think Mr. MacInnis has agreed that conditions as at that time should be given fair consideration.

Mr. NEILL: When they arise.

Mr. HAMILTON: When they arise, that is exactly it. When they arise. Now, I cannot say what is going to arise five years or ten years or fifteen years from now. I sincerely hope that the situation will be that instead of increasing rates we will be able to decrease rates.

Mr. DUPUIS: But at any rate if you found it necessary to increase rates because of the value of the dollar you would have to apply to the Board of Transport Commissioners?

Mr. HAMILTON: And all the conditions and everything else will be taken into consideration at any hearing to arrive at a decision when those conditions arise.

By Mr. Ross (Calgary) (to Mr. Hamilton):

Q. Isn't it true that the Board of Transport Commissioners allow you to charge rates ranging up to 8 per cent of the common stock?—A. Yes.

Q. Is it allowing you to do that?—A. Yes.

Q. Have your rates been up before this board recently?—A. Yes, three years ago.

Q. Three years ago?—A. Yes.

Q. It looks to me like a very high rate for a company of this kind—8 per cent on common stock. I could quite understand it on commercial companies, but on these public utility companies which are monopolistic in character; the board should allow them to make a fair return on their money, but to me 8 per cent is a very high rate. I cannot understand allowing it to be that high.—

A. That may be true, but you are only looking at one item. If you will look over the average that is paid by the company, over the whole average, it amounts to something around $5\frac{1}{2}$ per cent. When you take your bonds at $4\frac{1}{2}$ per cent, your preferred at 6 per cent and your common at 8, and you take an average of that the average cost to the company is somewhere in the neighbourhood of 5 or $5\frac{1}{2}$ per cent.

Mr. ROSS (Calgary): That is a very high percentage.

Mr. NEILL: They have 8 per cent.

Mr. HAMILTON: It is fair to say that the average cost of the money is $5\frac{1}{2}$ per cent.

By Mr. Jackman: (to Mr. Hamilton)

Q. Does the Board of Transport Commissioners not set the price at which you issue common stock?—A. They do.

Q. Is it at par?—A. At par, in this instance.

Q. They would have to approve before you could issue any of your common stock at a premium?—A. Oh, yes.

Mr. STARRS: The company has not hitherto been under the Board of Transport Commissioners in relation to the issue of stock. The clause in this bill will place it under the jurisdiction of the board for that purpose. Hitherto the board has had no control over the issue of the capital stock of this company, but a clause of that kind was put into the bill, the charter, some years ago, and as a matter of course when this bill was prepared a similar clause was inserted.

Mr. JACKMAN: The Bell Telephone Company I think issued stock which bears 7 per cent, but the company usually receive far more than \$100 per share for the stock when the public subscribe to it.

Mr. FARRELL: That would depend on the market at the time the board authorized us to go ahead and sell our stock.

Mr. JACKMAN: I think the committee should have some idea as to the price at which this stock will be offered to the public. It is an 8 per cent stock and very likely it will sell at around \$130 or \$140 and the return to the investor will be around $5\frac{1}{2}$ per cent.

Mr. STARRS: That is a matter for the board.

By Mr. MacInnis:

Q. What is the market price of C.B. telephone stock now?—A. Perhaps Mr. Farrell could give you the answer to that.

Mr. FARRELL: I think I should say that the common stock of our company is held by the Anglo-Canadian Telephone Company.

Mr. NEILL: The stock of which is owned by an American company.

Mr. JACKMAN: Is it expected when you sell this common stock that it will be a public offering or will it be covered by Anglo-Canadian?

Mr. FARRELL: The directors would have to decide that at the time. We have not discussed that yet. The chances are that the Anglo-Canadian Telephone Company would be asked if they would like to buy the stock.

Mr. HATHFIELD: I would like to have a more definite answer to Mr. Lockhart's question as to why this company should be authorized to sell stock

bearing 8 per cent when they are selling bonds which carry only around 5 per cent. Why do you have to have an authorization to go out and sell stock returning 8 per cent to the subscriber when you can get money for your extensions at 4 or 5 per cent by selling bonds?

Mr. FARRELL: We have already answered that by saying that we can only issue bonds up to a reasonable commercial percentage of the total. You see, you finally get to the point where you have all your stock used up and your right to sell bonds exhausted and new commitments facing you and you have nothing to carry on with.

Mr. JACKMAN: What is the limit to your authorization to sell bonds?

Mr. FARRELL: That is gauged by the commercial aspect of the market.

The Acting CHAIRMAN: Well, are there any further representations?

By Mr. Green (to Mr. Hamilton):

Q. I would like to ask a further question: Major Hamilton, you have been stressing the fact that if conditions do get worse for the company in ensuing years that you won't be able to go to the Board of Transport Commissioners for an increase in rates; is it not a fact that you would be free to go to the Board of Transport Commissioners and raise any argument you wished—change in the value of the dollar, increase in prices, anything you wished—except that you could not ask for your 8 per cent issue of new capital that it is proposed to bring in under this amendment? You would not be hampered in any other way would you if the proposal that has been discussed here is carried out, if this new capital issue for which you seek authority now is under a special clause?—A. I cannot see how that is possible.

Mr. FARRELL: Let me answer that.

Mr. GREEN: I want Mr. Hamilton to answer that. He is the one who made the statement about the possibility of getting relief.

Mr. HAMILTON: If you could show me how we could differentiate—how could you differentiate, Mr. Green, in a situation like that? I have taken from your previous remarks that your particular concern is that we will use some of these moneys that we are permitted to do by authority of the board to make extensions to our plant and equipment for war purposes that might in the future be saddled on the telephone users. That is your concern, is it?

Mr. GREEN: That is one of them.

Mr. HAMILTON: That is what you have stated. Now with regard to this undertaking of the company as quoted by Mr. Cruickshank from *Hansard*, if it is your understanding that if in the future conditions beyond the control of the company are such that the company requires to apply to the Board of Transport Commissioners for relief that all factors should be reasonably considered by the Board of Transport Commissioners as at that time.

Mr. GREEN: Except this proviso, except this undertaking given in the house that no application for increase in rates is to be based upon any increase in the capital stock authorized. In other words, you could not ask for an increase in rates based on the fact you have issued 2,000,000 or 5,000,000 more shares or whatever the figure may be, covered by this bill.

Mr. HAMILTON: You say that under any conditions irrespective of what might happen in the future?

Mr. GREEN: That is the only restriction.

Mr. HAMILTON: That a certain portion of the company's capital is estopped from any consideration other than the present rates in force. That is exactly what you say.

Mr. GREEN: In essence, yes.

Mr. HAMILTON: Would not that have a serious effect on the sale of the company's securities to meet public demands?

Mr. GREEN: That may be, but it is going back on your bargain. Is it not a fact that the only restriction that you would have on going to the Board of Transport Commissioners would be that you could not ask them to provide you with interest on the capital issued in this bill. What other restriction would there be if you carried out that bargain?

Mr. MAYHEW: I am not a member of the committee but I should like to say a few words.

Mr. GREEN: I should like an answer to that question if I can get it.

Mr. HAMILTON: I do not think I can add anything more to the answer already given.

The ACTING CHAIRMAN: Mr. Mayhew.

Mr. MAYHEW: Thank you, Mr. Chairman. I think I represent possibly one of the fastest growing parts of British Columbia, at the present time. Our population has increased very rapidly in the last two or three years. I think it is most important that these people who are moving there for whatever reason they are coming, should have some protection or at least some assurance that adequate service is going to be supplied. I do not see how the company can be expected to guarantee that they will not use their capital structure in conjunction with other arguments to secure sufficient money to carry on its undertaking. I do not think that Mr. Green and the others who are arguing care to guarantee to the B.C. company that labour costs in connection with the operation of the company will not increase during the next five or ten years. If that labour increases a matter of 20 per cent, we will say, the company would then either have to refuse to pay or not be able to pay their interest charges on their bonds or their preferred stock, let alone their common stock. Leave their common stock to one side. If they reach a position where they cannot pay interest of any kind their usefulness in the community will be impaired. They will not be able to get any further capital to go on and take care of the growth of the province. So far as 8 per cent common stock is concerned I should like to point out this: you all recognize, I am sure, that it is common stock and it must rank at the tail end of all its earnings. In other words, they must take care of all their bonds, interest on preferred and preference shares and if there is anything left over the common stock may go as far as 8 per cent. I think most of us would prefer—at least I would—a preferred stock over an 8 per cent common stock. While 8 per cent is very large at the present time, I do not think that that should stand in our way.

When this company makes an application to the transport board, I have sufficient confidence in that transport board that before it grants permission to this company to earn 8 per cent on the common stock it will take into consideration all the factors. It is quite true the cost of raw material, as Mr. Neill says, might come down. After the war the price of copper may fall to a very low level. But who is going to say that? Who can guarantee that? The transport board must and will I am sure take all other factors into consideration when it grants any application that this company makes. I think the population of British Columbia is amply taken care of and they do not need particularly all this interest that is taken in them at the present time to look after their welfare. I think it is better in the hands of men who have no axe to grind and only wish to see that the public gets the right deal.

Mr. DUPUIS: Following that argument, may I say, Mr. Chairman, that I should like to thank the member who just gave us some information as to his own views but that brings to my mind a contrary argument. For instance, suppose the cost of administration decreases is there anything in the bill to prevent the public asking for a decrease of rate? There is nothing in the bill to prevent that, is there?

Mr. HAMILTON: You are right, sir, there is nothing in the bill to prevent that.

Mr. NEILL: Is it essential to get \$10,000,000 more?

Mr. MAYBANK: Order.

Mr. NEILL: Is it essential to get \$10,000,000 now?

Mr. Mac INNIS: They are asking for \$5,000,000.

Mr. NEILL: \$10,000,000.

Mr. HAMILTON: I would say a company such as ours, a public utility company, does not come to parliament every year or every two or three years for authorization of increase in capitalization. It comes for a reasonable amount to allow it to carry on for a reasonable time.

Mr. NEILL: It came in 1934.

Mr. HAMILTON: The Bell Telephone Company of Canada came here and they asked for an increase from \$75,000,000 to \$150,000,000 with the restriction that any issues they make or any portion of it which is issued has to have a duly authorized regulatory body approve of it. Now, taking into consideration—from my experience—the growth of British Columbia and the future developments, I would say that an authorization of \$10,000,000 may carry us for fifteen years.

Mr. NEILL: Is it essential now?

Mr. HAMILTON: \$10,000,000 is not essential now.

Mr. NEILL: Thank you.

Mr. HAMILTON: The total of \$10,000,000 is not essential now. Somebody suggested we make that \$5,000,000. Well, we can make it \$5,000,000 and probably we will have to come back to parliament in a shorter space of time for an additional authorization. Does that answer your question?

Mr. LOCKHART: How long ago is it since you were here before?

Mr. MAYBANK: 1934.

Mr. NEILL: And it was withdrawn in four days.

Mr. CRUICKSHANK: May I say one thing in fairness to B.C. members who are not members of the committee? An insinuation has been made that they have an axe to grind. The people of my riding and of the ridings in other parts of the province are just as much entitled to oppose this bill as anybody else. We have never questioned the sincerity of anybody. I am speaking on behalf of other B.C. members here, when I say that, as well as on behalf of every member of the committee. We are trying to do our duty as we see it. We may be wrong, but we have no axe to grind. I want to assure the member for Victoria that I certainly have an axe to grind on behalf of my constituencies to see that they are protected in this regard to the very best of my ability. I have not questioned the sincerity of anyone here and I want to say that in so far as the member from Fraser Valley is concerned and the other B.C. members, parliament to us is supreme. All I have said and all I ask for is a guarantee given to me that the interest of my constituents will be protected; and I resent strenuously any member of the Canadian Manufacturers Association questioning my sincerity in looking after the interests of my constituency.

The CHAIRMAN: I do not think, Mr. Cruickshank, there was any intention on the part of any member, whether he be a member of this committee or not, to cast any reflection on any other member. I think the chair has attempted to---

Mr. CRUICKSHANK: I was not questioning the chair.

The CHAIRMAN: I know you were not. I have tried and the committee has attempted to give every latitude for discussion, as has been shown by the consent of the committee to hear other members from British Columbia who are not members of the committee.

Mr. MACINNIS: Mr. Chairman, before Mr. Mayhew replies may I say personally my impression of what Mr. Mayhew said amounts to this. If we accept his point of view, what will happen is that parliament will disband and we will go home and leave the welfare of the people of Canada or the people of British Columbia in the hands of the Board of Transport Commissioners and the B.C. Telephone Company.

Some Hon. MEMBERS: Hear, hear.

Mr. GREEN: I really do not believe that Mr. Mayhew meant what he said about axes to grind. At any rate, it is certainly not applicable in the case of any of us from British Columbia, and I think in fairness to us he should withdraw that remark.

Mr. MAYHEW: Mr. Chairman, I assure you that I did not have in mind, in the slightest way, any of the members more than my own self when I said we might have axes to grind. I have a particular interest at the present time to see that the B.C. Telephone Company develops so that it will be able to serve my district. The Board of Transport Commissioners, under which this will come, have no interest particularly in my riding or in the people, but they have an interest in the whole of British Columbia. If I made any inference of the kind suggested, I would certainly withdraw it, because I have not that opinion of the members from British Columbia.

The ACTING CHAIRMAN: Thank you Mr. Mayhew.

Mr. HATFIELD: I should like to ask a question about the stock. I should like to know if it is going to be offered to the public, or will the B.C. Telephone Company have the first option on it? Is it going to be offered to the public of British Columbia or the people of Canada?

Mr. FARRELL: Common stock is usually offered to the existing shareholders.

Mr. HATFIELD: Why should that be?

Mr. FARRELL: That is the usual custom, I understand.

Mr. HATFIELD: Why should the subscribers in British Columbia not have a chance to purchase this stock and secure 8 per cent on their money?

Mr. FARRELL: That would be a matter for the directors to decide which is in the best interests of the company. The price has to be set by the board. Undoubtedly they will get the best price they can for the stock.

Mr. HATFIELD: Then this stock is not going to be issued to the public?

Mr. FARRELL: I cannot give you an assurance on that. I say it would be the usual custom for the shareholders to be offered additional shares of common stock of a company.

Mr. LOCKHART: The Anglo-American Company head office is in Chicago.

Mr. FARRELL: The Anglo-Canadian Telephone Company is a Montreal company.

Mr. MAYBANK: I wanted to ask Major Hamilton a couple of questions.

Mr. LOCKHART: Associated Telephone and Telegraph Company has its head office in Chicago?

Mr. FARRELL: Yes.

Mr. MAYBANK: I just wanted to ask a couple of questions of Major Hamilton to clear up things that have been told to me. The money or perhaps I should say—as it is not money exactly you are being paid—the right to increase your capital and thus get money is wanted in part for the purpose of retiring by way of stock certain outstanding shares. Is that not right?

Mr. STAIRS: No, that is not correct.

Mr. MAYBANK: Is it not so that you desire to recall the stock, unless that has been wiped out by agreement? I have not the bill in front of me, but is there not something there to indicate the recall of stock?

Mr. STAIRS: In the undertaking given in the House, provisions in regard to preference stock are to be revised, if the committee accepts the amendment, excluding any reference to already existing stock, so that the provision of the bill would only apply to new stock, if, as and when, issued.

Mr. MAYBANK: You had stock issued, had you not, where you had a call provision in it?

Mr. STAIRS: Yes.

Mr. MAYBANK: But still, in spite of that, they have regarded your stock as being non-callable owing to the fact that what had been written into the agreement giving you that right was ultra vires; you did not have the power to make it and therefore they regarded it as non-callable stock. Is that a correct statement?

Mr. STAIRS: That I do not think is correct. But is it necessary in this committee to discuss what is a legal point about that stock?

Mr. MAYBANK: I do not know whether it is necessary, but I think, generally, you will find that in a committee you may discuss anything from soup to nuts or even some thing broader than that.

Mr. STAIRS: As a matter of legal opinion, the stock was issued containing conditions which entitled the company to redeem it at a premium, both issues. The original charter of the company gives the company power to issue preference stock, with a qualified provision. There is not any doubt in my mind as a lawyer, on the authorities, that if that stock were redeemed otherwise than out of capital, so that it did not involve a reduction of capital, the stock could be redeemed, and the shareholders would be bound to surrender.

Mr. MAYBANK: As long as they did it out of profits?

Mr. STAIRS: Yes. As far as the matter of contract between the shareholders and the company is concerned, the stock is redeemable. If the capital was reduced, the shareholders' stock could be cancelled by redemption. But in the case of a company of this kind, the provisions of the Companies Act in part I applying to a patent company do not apply.

Mr. MAYBANK: Dominion companies?

Mr. STAIRS: Well, special act companies. They are all dominion companies. There is no machinery in the act for cancelling stock if it were redeemed; also it would not be clear whether the stock could be re-issued. In a company of this kind I do not think that stock would ever be called, except for what in financial slang we call "refunding". I think it is quite evident from the discussion that has gone on that this company would never accumulate a reserve of undistributed profits sufficient to retire five and a half million of stock at a premium. I mean, that is academic. That is just a legal technicality. It is the legal position. As far as the shareholders are concerned, likewise it could not be retired as a straight reduction of capital, just paying out five and a half million dollars and not replacing it. So the only conceivable circumstances under which this stock could be redeemed would be in what we call "refunding"; in other words issuing another amount of stock at a lower rate. Well, we all know what financial conditions are now, that there is no prospect of anything of that kind being considered for a moment; though it was considered desirable when this bill was before parliament to include in its provisions something that would straighten out that thing and make it clear that we could re-issue the stock. As there was objection to that, rather than prolong the discussion on it when it was not a practical consideration, the company decided to withdraw that feature of the bill and just let it relate to future stock.

Mr. MAYBANK: I did not know that. I have not been able to be at this committee, and I was spoken to, as a matter of fact, by some of your friends or some of the friends of the bill, if I might put it that way. What I have

really done now is to lead you into what might be termed a bootless discussion, because the stock that is already issued is no longer the subject in any way of this bill.

Mr. STAIRS: That is perfectly correct.

Mr. MAYBANK: All right. I should apologize for having got you started.

The WITNESS: There are several provisions of the bill which it is proposed to ask for an amendment in respect to. One of course is—

Mr. MAYBANK: I hear Mr. Cruickshank say it is still in the bill.

Mr. STAIRS: It will be taken out by this committee, I expect.

Mr. MAYBANK: But it is understood it gets wiped out in this committee?

Mr. STAIRS: Yes.

Mr. MAYBANK: So that your statement is correct?

Mr. STAIRS: The bill has not been amended in the House. The bill will, I understand, be amended by this committee.

Mr. CRUICKSHANK: But an assurance was given in the house.

Mr. MACINNIS: Is there any reason why members of the committee could not have typewritten copies of the proposed amendments? I have seen some, although I have not got one, of what purported to be typewritten copies of these amendments, which some members have.

The ACTING CHAIRMAN: I am afraid, Mr. MacInnis, that before we dispose of that we should consider the preamble and decide whether that will be carried or not. I think when we come to the sections we should take them up one after the other, and then the amendments, if any. I understand that is the custom.

Mr. STAIRS: As a matter of fact, if you will excuse me, Mr. Chairman—I did not mean to interrupt you—the amendments are all described in *Hansard* of May 16. The only one that is not there is the provision to be settled in committee in regard to this point about capital.

Mr. HATHFIELD: May I ask about the bonds that are offered to the public, the bonds outstanding at four and a half per cent. They are four and a half per cent bonds, are they?

Mr. FARRELL: Yes.

Mr. HATHFIELD: The subscribers have a right to purchase bonds paying four and a half per cent but they have no right to purchase stock paying eight per cent. Is that right?

Mr. FARRELL: It is not a question of right. It is a matter of trying to run the company in the most economical and efficient manner.

Mr. ROSS (*Edmonton*): Are the common shares on the market at all?

Mr. FARRELL: The preferred shares are held by the public. We have about 3,000.

Mr. ROSS (*Edmonton*): What about the common shares?

Mr. FARRELL: I have already stated the common shares are all held by the Anglo-Canadian Telephone Company.

Mr. HATHFIELD: They get eight per cent.

The ACTING CHAIRMAN: Are there any other representations?

Mr. GREEN: Might I ask Col. Stairs one other question? He was answering Mr. Cruickshank with reference to this extract from *Hansard* "Provision to be made that no application for an increase of rates to be based upon any increase of the issue of the capital stock authorized." When he was discussing that he said that it was a question of how that was interpreted.

Mr. STAIRS: Yes.

Mr. GREEN: May I ask him how he interprets that; and before he answers that may I say with regard to the proposed amendments, Mr. Chairman, that it would help a great deal if the company will let us know just what amendments they do propose. It is a little unusual, I admit. They made these offers in the House. It would help to facilitate the consideration of the bill if they would let us have copies of the amendments.

The ACTING CHAIRMAN: Do you not think, Mr. Green, we should proceed first of all with the passing of the preamble and then consider the amendments and have the company give them out? I understand from the legal officers that that is the usual procedure.

Mr. GREEN: It is a matter for the company. They said they are going to have this bill amended. I think we ought to know what they propose at the earliest possible moment.

Mr. STAIRS: I said just now that the amendments are all in *Hansard* already.

Mr. GREEN: It is only what was in that?

Mr. STAIRS: "With regard to section 2, to delete paragraph (c)"—I could give you a piece of paper and say we are going to delete paragraph (c) but here it is in the proceedings of the House—"and the words 'or which are to be'" and so on.

Mr. CRUICKSHANK: Are those amendments in *Hansard* the ones being submitted? ?

Mr. STAIRS: Yes.

Mr. CRUICKSHANK: I am correct in that one I asked and that Mr. Green just asked, that that is going to be submitted by the company—"Provision to be made that no application for an increase of rates to be based upon any increase of the issue of the capital stock authorized." That is an amendment, according to your statement?

Mr. STAIRS: Your question was, as I understood it, whether the company gave authorization to Mr. McGeer to make that undertaking in the House. I said "yes".

Mr. CRUICKSHANK: Pardon me. I am sorry I have not the name, but the speaker just said a moment ago that the amendments are as in *Hansard*. I am sure that is on the record.

Mr. STAIRS: I said with the exception of this particular point.

Mr. CRUICKSHANK: Oh, with that exception.

Mr. GREEN: What is your amendment on that point?

The ACTING CHAIRMAN: Mr. Green, I am afraid that I will have to rule that we dispose of the preamble before we can consider any of the sections or any of the amendments. I do not want to be unfair to you, but I understand that is the procedure. I wonder whether we could not dispose of the preamble and then go on with the sections. I think there will not be any objection to giving the amendments to those sections to you and the members of the committee.

Mr. GREEN: Col. Stairs did not answer my question.

The ACTING CHAIRMAN: Oh yes. Would you do that?

Mr. STAIRS: What was your question?

Mr. GREEN: How do you interpret those words—"Provision to be made that no application for an increase of rates to be authorized upon any increase of the issue of the capital stock authorized"?

Mr. STAIRS: I would like to say what I said before, that if we are going to deal with the amendments in full, that can be discussed then in connection with the amendments. They are all intimately related.

Mr. GREEN: I think you should tell us how you interpret that undertaking.

Mr. LOCKHART: Yes, as a matter of general information.

Mr. HANSON: I think that should be taken up when we arrive at that section.

Mr. McCULLOCH: I think that should be taken up when we arrive at that section.

Mr. STAIRS: It is really a vital point. It is really the vital point in the whole section and it is awfully hard to take a thing out of its context.

Mr. GREEN: I wanted to know how you interpret that.

Mr. MAYBANK: I would like to interpose an objection to that, and, in fact, raise a point of order, Mr. Chairman. I think we should proceed according to your ruling. The trouble about what Mr. Green asks is that if we get these amendments thrown out now and we start discussing them we will not proceed in an orderly way. If we do it in the usual way of proceeding with this bill section by section, we will have all the opportunity in the world to raise any objections we like when the time comes. After all, the only benefit that could be obtained by handing out a sheaf of objections now would be that they would be in the hands of members for, say, the noon period, or something like that. There is no very great benefit to be obtained by it, and it is certainly going to take us a lot longer.

I should like to move that we proceed to dispose of the preamble of this bill.

Mr. MACINNIS: Mr. Chairman, before you do that, I understand that there is another person here who wants to say something on the bill, Mr. Victor David, the chairman of the Vancouver Communities Council.

The ACTING CHAIRMAN: Is it the wish of the committee to hear Mr. David?

Mr. MAYBANK: What I meant, Mr. Chairman, was to proceed with the preamble if there were no further witnesses.

The ACTING CHAIRMAN: Yes. We shall hear Mr. David.

Mr. VICTOR DAVID, representative of the Vancouver Communities Council, called.

The ACTING CHAIRMAN: Mr. David, before you proceed, will you please state your exact position in connection with the representations which you have to make.

Mr. DAVID: I have been delegated, Mr. Chairman and gentlemen, by 18 officers representing 9 community associations in the city of Vancouver. They are widespread throughout the city of Vancouver. They took the position, the city of Vancouver being the largest subscriber to the telephone in British Columbia and our organizations being widespread throughout the city, that they would like to put their views before this committee showing the reasons why they opposed the bill.

Mr. McKINNON (Kenora-Rainy River): Are they elected or self-appointed?

Mr. DAVID: The officers are elected from the floor at each individual association, and each association appoints two delegates to represent them in a central body called the Vancouver Communities Councils.

Mr. McKINNON (Kenora-Rainy River): What is the general purpose of the organization?

Mr. DAVID: The general purpose of the organization is for the welfare of the taxpayers and citizens at large.

Mr. DUPUIS: Would you give the committee a list of these associations?

Mr. DAVID: A list of the names, sir?

Mr. DUPUIS: Yes.

Mr. DAVID:

West End—English Bay Merchants' Association, Mr. Kennedy, President; West End Merchants' Chamber of Commerce, Mr. Newman, Secretary.

Dunbar-West Pt. Gray—Mrs. Gibson, President; Mr. V. David, Vice-president.

Kitsilano—Kitsilano Chamber of Commerce, H. F. Woodman, President; D. Cameron, D. Lovely, T. Spencer.

Renfrew—Jack Price, Mrs. Quinn.

Grandview—Grandview Community Association, Milton Weber, President; Nickols, Secretary. Grandview Chamber of Commerce, Mr. Higgins, S. G. Brown and A. E. Hughes.

Hastings East—Hastings East Community Association, H. Lock, C. E. Rumball.

Windmere—Mr. Paton, K. Copeland.

Southern Slope—Southern Slope Community Center Association, Mrs. D. M. McDonald.

Mr. MAYBANK: From the sound of some of these names I would infer that they are non-political and non-sectarian; is that so, or is there any political flavour to these associations?

Mr. DAVID: I cannot say I know of one having any political ties. It has been told me several times that this organization would like to keep absolutely free from politics.

By Mr. Maybank:

Q. Am I to understand that there are eighteen associations or two officers from each? What is it, eighteen officers or eighteen associations? A. There are eighteen officers and nine associations.

Q. Nine associations? A. Yes.

Q. These officers instructed you, and do you know whether they gave the instructions to you which they did give by reason of them first being instructed by their associations, or did they just act as officers?—A. I believe that they had special meetings regarding opposing this bill.

Q. You do not know for certain whether it is the instruction of the association or whether it is a case of the officers presuming, honestly, no doubt, to speak for the association?—A. I can say—

Mr. MacINNIS: Mr. Chairman—

Mr. MAYBANK: Excuse me, just a moment. On a point of order, Mr. Chairman.

Mr. MacINNIS: Mr. Chairman, I have raised—

Mr. MAYBANK: Mr. Chairman, I raised a point of order, and I think the hon. member should wait until I have stated the point of order. My point of order is simply this; that I have the right to ask questions and if I have not that right I will submit to a ruling of the Chair to the contrary. Until my question is answered, if I have the right to ask it, the hon. member should be silent. I do not wish to shut him off and I do not wish to interrupt him. On the other hand, I do not wish him to interrupt me.

The ACTING CHAIRMAN: Does the hon. member wish to speak to the point of order?

Mr. MacINNIS: I wish to raise a point of order, Mr. Chairman, in objecting to Mr. Maybank's question. I was not trying to shut him off, but I think it is quite unfair to ask the witness if he knows whether he is representing all the members of all the locals making up the Communities Council in the presentation he is making here today. He is here with credentials from a certain organization, and we should no more question his right to speak here than we should question the representatives of the British Columbia Telephone Company

as to whether they are stating the position for all the shareholders of the British Columbia Telephone Company.

Let us deal fairly with these people.

Mr. DUPUIS: Mr. Chairman, on a point of order, following the line of Mr. Maybank's statement, I think the matter could be settled in a simple way. In my opinion Mr. Maybank is right, but we could settle it this way: If the witness can produce resolutions from each of these associations to that effect, I think the question will be solved. I move that the witness produce resolutions from each of these associations, otherwise, it would not be legal.

Mr. MAYBANK: Mr. Chairman, speaking to the point of order, I quite agree with Mr. MacInnis, that we have no more right to ask this witness questions of the kind I asked than we have the right to ask the representatives of the telephone company. Where I differ from that is that I feel a body hearing representations has the right to question the propriety of the representations that the telephone company are making. I think we have a perfect right to ask them all sorts of questions, and the same of this witness; but I do not wish to be understood that when I was asking these questions I was endeavouring to imply that this witness was not properly authorized. I just wanted to get at the facts. I do not go even as far as Mr. Dupuis who asks for the production of resolutions; I am quite content to take what the gentleman says. I only wanted him to state his position, that is all, and I do wish Mr. David would understand that I am not trying to suggest for a moment that he is not properly authorized. I just wanted it on the record.

The ACTING CHAIRMAN: I think any witness giving evidence should state his position. If that was not asked of the witnesses who have given evidence already, perhaps it was the fault of the Chair. In any event, I asked the witness to state his position which I think he did in a general way. I think members have the right, too, to amplify that, but I do not think they should go into it unduly so as to find out each and every association, and what political, religious or sectarian flavour it may have.

Mr. MACINNIS: Hear, hear.

The ACTING CHAIRMAN: And perhaps we can get along without going into that unduly.

Mr. MAYBANK: I did not propose to follow it any further, except that I wanted to know from the witness whether he was aware of this point, whether these officers just presumed, honestly no doubt, to speak for their association or whether he knew if the associations had first specifically instructed him.

The ACTING CHAIRMAN: Can you answer that?

Mr. DAVID: I was told in two definite instances that they had called a special meeting for the purpose of selecting a delegate to represent these bodies opposing the B. C. Telephone Company bill. I understand in these two instances that all the members voted unanimously in opposition to the bill. One was the Renfrew Community Association, which was signed by Jack Price and Mrs. Quinn. The other was the Dunbar-West, Point Grey Community Association, where I attended the meeting. Mrs. Gibson signed as president and I signed as vice-president.

Mr. DUPUIS: Would you read the document you have?

The ACTING CHAIRMAN: That has been filed, Mr. Dupuis. Does that answer your question, Mr. Maybank?

Mr. MAYBANK: Yes.

The ACTING CHAIRMAN: Will you proceed, Mr. David.

Mr. HANSON: Mr. Chairman, we have been sitting here for three hours and we should have a chance to get lunch. It is half past twelve.

The ACTING CHAIRMAN: Mr. Hanson says that we have been sitting here for three hours. Is it the wish of the committee that we adjourn or that we should continue to hear representations from Mr. David.

Mr. MACINNIS: How long would it take Mr. David to finish?

The ACTING CHAIRMAN: Can you finish in half an hour, Mr. David?

Mr. DAVID: Yes.

The ACTING CHAIRMAN: Mr. David says he can finish in half an hour. While I am anxious to get away I would rather wait and get it disposed of now.

Mr. MACINNIS: Very well.

Mr. DAVID: With your permission, Mr. Chairman, I would like to read from figures that have been handed me.

The ACTING CHAIRMAN: The witness now says he is reading from figures that were handed to him.

Mr. DAVID: The heading of this reads that I, Victor David, am delegated to explain the reasons for opposing the B. C. Telephone company's application for an increase of capital. We are of the belief that if such an authorization were granted at this time it would seriously injure our war effort in British Columbia, mainly because it is well known that the prospective investors consider that B.C. telephone stock is a gilt-edged investment and although it has been suggested that if this authorization is granted that the stock will only be issued in small blocks as and when required, this method alone will tend to tempt the investors to withhold their cash, awaiting the opportunity to purchase good, negotiable stock with a guaranteed dividend of 6 per cent and 8 per cent instead of buying war bonds at 3 per cent interest.

We believe that if the bill is passed and such gilt-edged stock were offered to the investing public, it would tend to nullify our war effort in B. C. where practically every citizen, church, club and organization are trying to sell war bonds at 3 per cent.

We were told by the sponsor of the bill at his Vancouver meeting that the only reason he sponsored the bill was because the B.C. Telephone Company required additional capital to finance new 'phone installations and said he would be pleased to know how the company could pay for the new 'phone installations without issuing new stock for sale. In our opinion the company does not require to issue new stock at this time in order to obtain additional capital. According to the company's own financial statement it has sufficient capital available for any reasonable expansion over—over \$1,000,000 in liquid assets, including \$308,000 in close maturing negotiable bonds of the North West Telephone Company of the city of Vancouver. It was stated by the company's manager that they could sell first mortgage bonds up to 75 per cent of their fixed assets, that being the procedure followed by them in 1938, when we were not at war and to use the manager's own words, "to put cash in the till" to pay for new telephone installations at that time. Now, in 1941 we are at war; we maintain that the same avenue as that chosen in 1938 should be followed to "put cash in the till" to pay for the expansion of their business. A similar application was made in 1934 which was withdrawn shortly afterwards, the company saying that it was their intention to use available capital to finance this installation. They went on from 1934 to 1938 installing more than 20,000 telephones without selling any stock with which to pay for these telephone installations.

Mr. NEILL: How many telephones did you say?

Mr. DAVID: Approximately 20,000. If I might, Mr. Chairman, I would like to use round figures; if anyone questions them I can give the exact figures.

The Acting CHAIRMAN: Carry on.

Mr. DAVID: In 1938 we saw a need to issue first mortgage bonds which sold on the market at $4\frac{1}{2}$ per cent according to the record. We presume they paid for all the 'phone installations up to that time. According to the company's report approximately \$1,000,000 was taken from the operating revenue for depreciation reserve as well as paying \$90,000,000 on the common shares, which represents 2 per cent more than the preferred in 1940. The standing depreciation reserve account alone totals \$8,522,321. The company is in a much better financial condition now to sell first mortgage bonds—assets have increased \$4,000,000 above that of 1938, now totalling \$31,000,000—deducting the \$8,500,000 depreciation reserve which leaves a balance of \$22,500,000 of fixed assets. Seventy-five per cent of that figure is \$17,000,000—deduct the total amount of bonds now issued, \$12,500,000, it gives them the privilege of now selling according to their own figures \$4,500,000 worth of bonds at $4\frac{1}{2}$ per cent or less. Even after these avenues have been exhausted the company still has the privilege according to the manager's statement to float a second mortgage bond issue which we calculate from figures given to us, could run into several millions of dollars in saleable second mortgage bonds, allowing them to carry on for several years without applying for a new stock issue.

British Columbia is lagging behind in its war effort already. I quote you in part from a letter from the war savings committee of April 29th—I have that letter here somewhere, Mr. Chairman, I do not seem to be able to put my hand on it at the moment, perhaps you will allow me to come back to it later on. I have it here somewhere. The fact is that British Columbia is lagging behind in its war effort.

By Mr. Green (to Mr. David):

Q. That is, in connection with war savings certificates?—A. Yes, in connection with war saving certificates and bonds. We are asked by the government as individuals to refrain from buying luxuries and to save our rags, paper, scrap and bones, but this utility company continues to pay 8 per cent on its common shares amounting to \$90,000 per year over the preferred shares. It has withdrawn from its operating revenue in 1940 the sum of \$1,000,000 of which they claim the most of this amount went to pay for telephone poles and equipment. We venture to say that if a careful check were made on the depreciated equipment a good deal of it could remain in use and be of good service for several years to come, thereby giving the company more capital to pay for the new 'phone installations, and by so doing that would mean that much less opposition to our war effort.

It has been suggested that the company now agree according to their amended application if the bill is passed, not to issue any new stock for sale until after September. Then in that case they could sell some of the first mortgage bonds in the interval at 4 per cent or less and not be setting up such serious opposition to our war effort. We believe that there was no justification for their making application for a new stock issue at this time, and repeat that if they desire to wait until after September they could refrain from tempting the investing public with any stock issue at all this year and if it was found necessary, application could be made for authorization to issue stock at the next session of parliament or it could be held over until after the war. Without going into figures for instance say they did the same as they did in 1938 or 1939, there must have been a margin then where they could have sold more bonds. Then, in that case, there is a still larger margin now because the assets have increased by \$4,000,000. We also strenuously oppose the bill on the grounds that if the company should be granted the amendment to its charter it would not only enjoy a professional franchise on telephone equipment, which it now has, but it will also enjoy a professional franchise on any other patented equipment of a similar nature now in existence, "whether now in existence or which may be discovered or developed in the future." We maintain

that it would be unfair to grant the telephone company such a monopoly on equipment which they do not now deal in, but which in our opinion should be open competitively to other companies, especially during war time.

I must say here in answer to Colonel Stair's statement that the company would be out of balance financially if the other \$4,500,000 of first mortgage bonds were issued and sold at this time, that I note according to the statements here that they must have expected to go out of balance in case of emergency, because in the trust deed it gives them that privilege to sell first mortgage bonds up to 75 per cent of their fixed assets less depreciation.

Mr. MacINNIS: Would you read that paragraph?

Mr. DAVID: Yes.

Additional first mortgage bonds may be issued up to the cost or fair value, whichever is less, of additional property (which may include capital securities of other companies) as defined and limited in the trust deed, acquired or constructed by the company after December 1, 1930, and made subject to the lien of the trust deed, unless the amount of bonds outstanding, including any bonds proposed to be issued, shall exceed the amount of the paid up stock of the company, in which event additional bonds in excess of such paid up capital stock shall be issued only to the extent of 75 per cent of such cost or fair value; provided, however, that no bonds may be issued unless the net earnings of the company, as defined in the trust deed, after reasonable and customary depreciation, for any period of twelve consecutive months out of the fifteen months immediately preceding the request for certification of such bonds, shall be not less than $1\frac{1}{2}$ times the annual interest on all bonds then outstanding and those proposed to be issued.

That is the alternative to the 75 per cent, and that works out according to the figures that have been handed to me to something in the nature of \$4,500,000 available to be sold at this time.

This is part of the war savings letter which I would like to quote. This was mailed to me by the general chairman:—

DEAR SIR.—The war is entering its increasingly serious stages and war savings becomes a more and more important factor in the Canadian national economy.

There is a very interesting story to be told both behind the scenes at Ottawa and involving also the basic underlying reasons why widespread voluntary curtailment of spending is essential for winning the war. And the other part of the letter which relates to this subject is:—

We are sorry to say that B.C. has fallen down from her high position as a leader in the sale of war savings certificates. But as our quota is 10 per cent, so far, we have only subscribed 7½ per cent of the national total. To bring us back to our proper place requires the full co-operation of every employer and employee in British Columbia.

Speaking for the organizations in Vancouver whom I represent the feeling is general that the issue of such gilt-edged stock at this time would tempt the investing public and tend to hold up our war effort in British Columbia. Our main reason for opposing this bill is because we think these figures show that the company does not require extra capital at this time.

By Mr. McNIVEN:

Q. Why was the bill withdrawn in 1934?—A. I cannot speak from my own knowledge on that, but I am told it was due to the slump. As a matter of fact, I believe Major Hamilton made that statement to me.

The ACTING CHAIRMAN: Thank you.

Witness retired.

The ACTING CHAIRMAN: Shall the preamble carry?

Preamble agreed to.

Mr. MacINNIS: Mr. Chairman, when the committee met on the first day—I have just forgotten what date that was—there was some letter or letters from Premier Pattullo and at that time it was suggested that it be made part of the record. We were not making a record at that time but I wonder if these letters could not be included as part of the records of this committee?

The ACTING CHAIRMAN: Will you make a motion to that effect?

Mr. MacINNIS: I will make a motion that the letters from the Premier of British Columbia be included as part of the record.

Motion agreed to.

On section 1.

Section 1 agreed to.

On section 2: I understand there was an amendment to be made to that section.

The ACTING CHAIRMAN: Yes.

Mr. MacINNIS: There was to be a change in the wording "or which are to be"; and that was at the bottom of page 1.

The ACTING CHAIRMAN: Section 2 I understand is to be amended by deleting the words "or which are to be" in the fourth and fifth lines of subsection 3 of section 5 of the bill.

Mr. GREEN: The second and third lines.

The ACTING CHAIRMAN: Yes, the second and third lines. I think that requires a motion.

Mr. GREEN: There were other amendments to that section?

The ACTING CHAIRMAN: Oh, yes, several.

Mr. GREEN: Can we know what they are?

The CHAIRMAN: Mr. Green asks if he can have the amendments to this section.

Mr. MAYBANK: That is section 2 of the bill, is it?

The ACTING CHAIRMAN: Section 2 of the bill.

Mr. MAYBANK: Referring to section 3 of the Act?

The ACTING CHAIRMAN: Right. Section 2 to be amended by striking out the words "or which are to be" in the second and third line. I think a motion should be in order before the amendment is carried.

Mr. GREEN: Are other changes proposed in that section?

Mr. STAIRS: Strike out paragraph (c).

Mr. GREEN: I do not know if I am allowed to say anything but in Mr. McGeer's statement in the house he mentioned two amendments, and also said this: "These deletions eliminate reference to preferred and preference shares already issued". There may be some question even with these amendments fitted into the bill as to whether they should be taken as applying to preference shares that have already been issued or not. It is obviously the intention that they should not apply at all. If the new subsection 3 should not apply to the shares already issued I would suggest that a paragraph be added to the end of the subsection reading something like this.

The CHAIRMAN: Subsection 3?

Mr. GREEN: Yes. It should read like this: This subsection shall only apply to the preferred or preference shares issued after May 31, 1941. That would

make it absolutely clear beyond any question that the rights that have already been applied—

Mr. McGEER: I should like to point out to the committee on that point that it has never been the idea of anybody acting for the company that the preference shares were not redeemable. The only thing that I stated on the floor of the house was that there was no violation of the practical rights existing between the present shareholders and the company. If what you suggest is done you are fastening the 6 per cent preferred shares for all time to come on the company. The remarks which I made place the preferred shareholders in status quo. To add the suggestion made by Mr. Green is to add something which would make a very very great change in the position of the preference shareholders and the company and certainly I do not think Mr. Green wants to establish by an Act of parliament perpetual 6 per cent shares on the people of British Columbia.

Mr. BLACK: It is the only stock they have. Why should not they be protected? All other shares are held outside the province.

Mr. McGEER: It is a question of perpetual right, and you are giving them something they never had.

Mr. JACKMAN: May I ask if those preference shares were redeemable out of some certain funds, profits and was there some restriction within the assets which should be used to redeem them?

Mr. McGEER: No, there was not. They were just straight redeemable shares under the terms of the resolution passed by the company and also under the terms of the share certificates issued.

Mr. JACKMAN: Did they differ in any respect from the ordinary redeemable preference shares which the company can call in at certain times and do away with or was not there some reference to a type of fund which could be used to redeem them?

Mr. McGEER: No, they were straight redeemable shares. As Colonel Stairs pointed out this morning, there is no question of redeeming them and then having to reduce the share capital of the company.

Mr. GREEN: There was a discussion in the house and Mr. Maybank referred to it again this morning. There was a question about the unfairness of affecting any rights that the holders of preference shares have by legislation now. The undertaking given by Mr. McGeer in the house definitely deals with that when he says, "This deletion eliminated reference to preferred and preference shares already issued." We are asking that that be made absolutely clear by this amendment.

Mr. JACKMAN: I make that motion, if it is in order.

Mr. STAIRS: May I say a few words, Mr. Chairman: the intention is that the status of these shares should not be changed at all by the legislation one way or the other. Anything giving us any additional power over them is to be eliminated, of course, but at the same time I do not think that the bill should affect the position of them at all. I should like time to consider this clause. It seems to me that it is objectionable from that point of view, but it is rather short notice to give a snap judgment on it. I think it should be allowed to stand over. Obviously, consideration of this bill will have to be adjourned. If we can take it up later we should like to do so.

Mr. GREEN: You are not trying to put in a section that has no effect whatever on the preferred shares already issued?

Mr. STAIRS: That is the point. We do not want to affect them one way or the other.

Mr. GREEN: In no way at all.

Mr. STAIRS: In no way at all. If we can exercise the power to redeem the shares as the legislation stands we want to be able to do it.

Mr. GREEN: I do not think anyone wants to interfere with the rights you have now. What we want to make sure is that you should not take any rights over the shares that have been already issued.

Mr. STAIRS: That is the understanding.

Mr. GREEN: That is why I think this would make it quite clear.

Mr. STAIRS: As I say, I think the clause is objectionable from that point of view. I should like to have further time to discuss it.

Mr. BLACK: You get authority to issue common stock outside of British Columbia and the proceeds of the sale of that stock may be used to retire the preferred shares already issued.

Mr. STAIRS: That would depend, of course, upon the Board of Transport Commissioners, whether they gave us permission to do it or not; but we have that power—

Mr. BLACK: One of the representatives of the company made a statement a short time ago that the company had no money other than earnings, reserves, out of which they could retire preferred shares. It appears to me they might get this additional money by the sale of junior shares outside of British Columbia.

Mr. STAIRS: Of course, as a matter of business that would not really be practical because you could not get junior money at a lower rate.

Mr. BLACK: No, but it might still be an attractive rate.

Mr. McGEER: As a matter of fact, I think that right now exists. If you can issue bonds you could do it if you wanted to do it, but that would only be done for the benefit of the company and the people in British Columbia, who would get the benefit by redemption of them for one or two reasons. One is to reduce the cost of financing the company by paying them off, and the other is to reduce the cost of financing the company by calling them in and issuing other shares at a lower rate of exchange.

May I put on the record a clause in the certificate which states: "The company shall have the right to redeem cumulative preference shares at a premium of 10 per cent on any dividend day and giving three months' previous notice by registered mail addressed to the address of the holder last known to the company." That is a standard clause in a preferred share. What we have done here as I see it is to eliminate the provisions in the bill which may be retroactive and to let it stand as it is. There is nothing in this bill which is retroactive at all with reference to preference shares. If the company has any rights then they are not taken away or not destroyed.

Mr. GREEN: They would not be destroyed by the proposal I suggest.

The CHAIRMAN: Shall subsection 3 stand in that event?

Mr. MacINNIS: There is another amendment to other subsections of paragraphs in subsection 3. Shall that stand also?

The CHAIRMAN: Yes. The whole of subsection 3 stands. Section 2, subsection 3 of the bill stands. Then, shall paragraph (a) of section 2 carry?

Mr. NEILL: If you leave out subsection 3 there is nothing left of section 2.

Mr. MacINNIS: Mr. Chairman, if we are going to let subsection 3 stand then I think the whole of the subsection should stand because they have a bearing on subsection 3.

The CHAIRMAN: I think Mr. MacInnis' contention is perhaps the correct one and the whole of section 2 will therefore stand. Shall section 3 carry?

Mr. MacINNIS: What is that section?

The CHAIRMAN: Increase of capital stock.

Mr. MACINNIS: There is an amendment to that section, is there not?

The CHAIRMAN: This is the amendment:

Amend section 3 of the bill as follows:—

- (a) Delete "twenty" and substitute "fifteen" on the 11th line of subsection (1) of section 6 of the Act as amended by section 3 of the bill.

Mr. GREEN: What other amendments are there?

The CHAIRMAN: That is the only amendment to that section.

Mr. MACINNIS: I move that amendment.

Mr. GREEN: I wonder if we could have all the amendments to that section before you deal with that. This is the key section.

The CHAIRMAN: I do not think there will be any difficulty in getting these now, Mr. Green. There is a motion before the committee. Mr. MacInnis moves that the word "twenty" be deleted, and the word "fifteen" be substituted therefor on the 11th line of subsection (1) of section 6. Shall the section as amended carry?

Section agreed to.

Mr. MACINNIS: There should be another amendment here, I believe, according to the understanding arrived at that no application for increase in rates be based upon any increase of the issue of capital stock. The memorandum that I have here says the wording of this clause would be worked out in committee.

The CHAIRMAN: I understand that is really a contentious point and perhaps this would be the proper juncture at which to break off.

Mr. MACINNIS: If that would be the case, why not let us take it that section 3 stands without adoption of the amendment that I moved?

The ACTING CHAIRMAN: It is carried, and I have initialled it, Mr. MacInnis.

Mr. NEILL: Could we have the amendments?

Mr. MACINNIS: Has the wording of that clause been worked out?

Mr. DUPUIS: Perhaps section 3 could stand as amended.

The ACTING CHAIRMAN: Yes. That is what I intended to convey to Mr. MacInnis, that section 3 as amended should stand. The amendment deleting the 20 and substituting the 15 has been carried.

Mr. MACINNIS: Sub-section 1 of section (b) carries but all the rest of section 3 stands?

The ACTING CHAIRMAN: Right. Carried as amended.

Mr. MACINNIS: Section 1 carried as amended? And the rest of section 3 stands?

The ACTING CHAIRMAN: Right.

Mr. GREEN: Could we know what clause is proposed in this second section, what we are to consider?

The ACTING CHAIRMAN: Mr. Green, I have here a number of copies including all the amendments which you and the other members of the committee may have.

Mr. GREEN: We can get a copy?

Mr. STAIRS: Yes, including the proposals.

Mr. LOCKHART: Would it not be a good time to adjourn and give us an opportunity to consider them?

The ACTING CHAIRMAN: I think it would. We have had a good session.

Mr. LOCKHART: That would give us an opportunity of seeing them and probably coming to a decision.

The ACTING CHAIRMAN: Yes, I think that is a good suggestion.

Mr. LOCKHART: In our sitting on Tuesday?

The ACTING CHAIRMAN: Suppose we leave it that we meet at the call of the Chair.

Mr. LOCKHART: You would know what was developing in other ways?

The ACTING CHAIRMAN: I presume I will.

Mr. LOCKHART: I would be quite willing.

Mr. HANSON: It would not be before Tuesday?

The ACTING CHAIRMAN: No. It is moved by Mr. Lockhart, seconded by Mr. Hanson—

Mr. LOCKHART: That we meet on Tuesday, the hour to be set by the Chair.

The ACTING CHAIRMAN:—that we meet on Tuesday, the hour to be set by the Chair. The motion is carried. Just before you leave, gentlemen, may I say that it has been suggested to me that there are not sufficient copies of the bill, so members perhaps had better bring their copies along at the next meeting.

The committee adjourned at 1 p.m. to meet on Tuesday, April 27th, at an hour to be set by the Chair.

APPENDIX

PRIME MINISTER—PROVINCE OF BRITISH COLUMBIA

VICTORIA, 25 February, 1941.

Rt. Honourable W. L. MACKENZIE KING,
Prime Minister of Canada.
Ottawa, Ont.

DEAR MR. PRIME MINISTER,

I understand that the B.C. Telephone Company are asking the Ottawa authorities to authorize increase of capital stock from \$10,000,000 to \$20,000,000.

Our Province is very much interested in this proposal. Many years ago the Telephone Company was declared a work for the general advantage of Canada, as a consequence of which the Telephone Company has been exempt from control by Provincial authority.

Our Government would not like to hamper the efficient operation of the Company in any way, but on the other hand, the doubling of capitalization would create very grave dissatisfaction in the Province unless it is justified beyond peradventure.

We have here a Public Utilities Board. I am going to suggest to the Telephone Company that they should voluntarily submit their argument for increase of capitalization to the Board before pressing for the measure at Ottawa.

I would be obliged if you would kindly see that the matter is placed before the proper department in your Government, so that the petition of the Telephone Company may not be granted without first having received full consideration and representation by Provincial authority.

I beg to remain,

Very faithfully yours,

(Sgd.) T. D. PATTULLO.

PRIME MINISTER—PROVINCE OF BRITISH COLUMBIA

VICTORIA, March 19, 1941.

DEAR MR. SECRETARY,

On February 25th I wrote to the Right Honourable W. L. Mackenzie King, Prime Minister, with reference to application of the B.C. Telephone Company for authorization to increase its capital stock, and in the last paragraph of the letter I stated as follows:—

I would be obliged if you would kindly see that the matter is placed before the proper department in your Government, so that the petition of the Telephone Company may not be granted without first having received full consideration and representation by Provincial authority.

It appears that the B.C. Telephone Company has many ramifications in its operations and in view of the fact that our Public Utility Board has no jurisdiction over the operations of the Company, I do not wish my letter to the Prime Minister to act in any way as an estoppel to the Company proceeding with its application.

The public is of course vitally interested in the operations of the Company, but I understand that the Dominion Board of Transport Commissioners has appropriate jurisdiction for the protection of the public interest.

I beg to remain,

Very faithfully yours,

(Sgd.) T. D. PATTULLO.

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Canada. Railways, Canals and Telegraph Lines. Standing Committee, 1940-41

SESSION 1940-41
HOUSE OF COMMONS

Governments
Publications

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

BILL No. 27 (LETTER B2 OF THE SENATE) AN ACT RESPECTING
BRITISH COLUMBIA TELEPHONE COMPANY

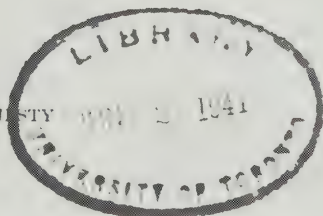
No. 2

TUESDAY, MAY 27, 1941
WEDNESDAY, MAY 28, 1941

WITNESS:

Colonel G. S. Stairs, of Montreal, Que., Solicitor

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



ORDER OF REFERENCE

WEDNESDAY, May 28, 1941.

Ordered,—That the order of reference of May 21, 1941, empowering the said Committee to print from day to day 200 copies in English and 100 copies in French of the Minutes of Proceedings and Evidence respecting Bill No. 27 (Letter B2 of the Senate), intituled: "An Act respecting British Columbia Telephone Company," be enlarged to permit of the printing of 250 copies in English of the said Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

WEDNESDAY, May 28, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

SECOND REPORT

On May 21, 1941, your Committee was empowered to print from day to day 200 copies in English and 100 copies in French of the Minutes of Proceedings and Evidence respecting Bill No. 27 (Letter B2 of the Senate) An Act respecting British Columbia Telephone Company.

Your Committee recommends that the order of reference be enlarged to permit of the printing of 250 copies in English and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

LIONEL CHEVRIER,
Vice-Chairman.

WEDNESDAY, May 28, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

THIRD REPORT

Your Committee has considered Bill No. 27 (Letter B2 of the Senate) An Act respecting British Columbia Telephone Company and has agreed to report the said bill with amendments.

Your Committee has ordered a reprint of the said bill as amended.

A copy of the evidence taken is tabled herewith.

All of which is respectfully submitted.

LIONEL CHEVRIER,
Vice-Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, May 27, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines was called to meet at 11 a.m. to-day.

At that hour, the following members were present: Messrs. Chevrier, Vice-Chairman, Harris (*Danforth*), Jackman, Mullins and Turner.

It was agreed, at the suggestion of the Vice-Chairman, that the Committee would meet on Wednesday, May 28, at 11 a.m.

ANTONIO PLOUFFE,

Clerk of the Committee.

WEDNESDAY, May 28, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11 o'clock. Mr. Chevrier, the Vice-Chairman, presided.

Members present: Messrs. Bence, Breithaupt, Chevrier, Corman, Côté, Damude, Emmerson, Eudes, Farquhar, Fulford, Gregory, Hanson (*Skeena*), Hatfield, Healy, Jackman, LaCroix (*Quebec-Montmorency*), Lockhart, MacInnis, MacKinnon (*Kootenay East*), McCulloch, McNiven, Maybank, Mullins, Nixon, O'Neill, Ross (*Calgary East*), Ross (*Souris*), and Whitman.—28.

Witness: Colonel G. S. Stairs, K.C., of Montreal, Solicitor for the promoters of the Bill before the Committee.

In attendance: Associated with Mr. G. Henderson, of Ottawa, Parliamentary Agent, were Mr. Gordon Farrel, President of the British Columbia Telephone Company; Major James Hamilton, Vice-President and General Manager of the British Columbia Telephone Company. Mr. Victor M. David, of Vancouver, also attended the meeting. Mr. G. G. McGeer, sponsor of the Bill was in attendance.

The Committee resumed consideration of Bill No. 27 (B2 of the Senate), An Act respecting British Columbia Telephone Company.

On motion of Mr. MacInnis, it was resolved that leave should be asked to increase to 250 the number of printed English copies of proceedings and evidence.

Mr. G. S. Stairs, brought to the attention of the Committee the proposed amendments to the bill.

By permission, Messrs. O'Neill, Green and Mayhew, members for British Columbia who are not members of the Committee addressed the Committee.

On motion of Mr. Maybank, the Committee proceeded to the consideration of the bill clause by clause.

Section 2

On motion of Mr. MacInnis,—

Resolved.—That on page 1, line 32, after the word "may" the words "after the 31st day of May, 1941" be inserted.

On motion of Mr. MacInnis,—

Resolved.—That commencing on page 1, line 32, the words "or which are to be" be deleted.

On motion of Mr. Hanson (*Skeena*):

Resolved.—That on page 2, line 2, the words "provided that" be deleted and the words "and in respect to such shares the following provisions shall apply" be substituted therefor.

On motion of Mr. Maybank,—

Resolved.—That paragraph (c) as contained on page 2, be deleted.

Section 2, as amended, was adopted.

Section 3

The Committee reverted to section 6 (1) as contained in section 3 and, on motion of Mr. MacInnis,—

Resolved.—That on page 2, line 44, the word after "exceed" be deleted and the word "eleven" be substituted therefor.

Mr. MacInnis moved that the following be inserted as subsection (3):—No application for an increase of rates shall be based on any increase of the issued stock of the Company as authorized by the amendment of this Act in 1941 but this provision shall not apply to or limit the power of the Board of Transport Commissioners for Canada (or any successors to their powers) to fix just and reasonable rates upon application by the Company for increased rates based on other grounds.

Mr. Lockhart moved in amendment thereto that all the words after the figures "1941" in the proposed amendment be deleted.

The question being put on the amendment to the amendment, it was resolved in the negative on the following recorded division:

Yeas: Messrs. Bourget, Hatfield, Lockhart and Ross (*Souris*).—4.

Nays: Messrs. Breithaupt, Chevrier, Corman, Côté, Eudes, Farquhar, Fulford, Gregory, Healy, LaCroix (*Quebec-Montmorency*), MacInnis, MacKinnon (*Kootenay East*), McNiven, Maybank, Mullins, O'Neill, Ross (*Calgary East*) and Whitman.—18.

The question being put on the amendment, it was resolved in the affirmative.

Section 3, as amended, was adopted.

Section 4 was adopted.

Section 5

On motion of Mr. McNiven,—

Resolved.—That section 5 be deleted.

Section 6

On motion of Mr. McCulloch,—

Resolved.—That on page 3, line 35, the word “services”, where it first appears, be deleted and that the word “systems” be substituted therefor.

On motion of Mr. MacInnis,—

Resolved.—That the word “services”, where it appears for the second time in line 35, be deleted and that the words “provide service facilities” be substituted therefor.

On motion of Mr. Hanson (*Skeena*):

Resolved.—That commencing on line 36, the words “by means of any device, apparatus, system or method of whatsoever nature whether now in existence or which may be discovered or developed in the future” be deleted.

Section 6, as amended, was adopted.

On motion of Mr. MacInnis,—

Resolved.—That this bill, as amended, be reprinted.

Ordered.—To report the bill as amended.

The Committee adjourned to meet at the call of the Chair.

ANTONIO PLOUFFE.

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

May 28th, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines met at 11 o'clock a.m. The Vice-Chairman, Mr. Lionel Chevrier, presided.

The VICE-CHAIRMAN: Order, please; we have a quorum, gentlemen, and perhaps we can proceed.

It has been brought to my attention that in the motion made previously in connection with the printing of 200 copies in English of our proceedings there might not be enough for all members and it has been suggested that perhaps it might be advisable to increase the number to 250 or more if it is the wish of the committee so to do.

Mr. MACINNIS: I would move that authority be secured to print an additional 50 copies in English of the reports of our proceedings.

Mr. LOCKHART: I will be pleased to second that motion.

Motion agreed to.

The VICE-CHAIRMAN: At the last sittings, gentlemen, we disposed of the preamble of the bill with respect to the British Columbia Telephone Company; section 1 and section 6 of subsection 1 thereto. Section 2 was allowed to stand and I think we should begin this morning with section 2 of the bill: shall section 2 carry?

Mr. MACINNIS: Just a moment, Mr. Chairman: I think the bill is so radically amended that what we require now is possibly a statement from those directly sponsoring it. I think it might facilitate the proceedings of the committee if the representatives of the British Columbia Telephone Company were to make a statement of the amendments agreed on at a conference between the members for British Columbia who are mostly interested in this bill and representatives of the telephone company at which certain conclusions were come to. That might facilitate the passage of the bill, if a statement were made in that regard.

The VICE-CHAIRMAN: Well, do either of you gentlemen wish to make a statement?

Mr. STAIRS: Yes, Mr. Chairman.

Mr. G. S. STAIRS, K.C., Montreal, recalled.

The WITNESS: I was prepared to make a brief statement of that kind and I can elaborate it in discussing the amendments. During the adjournment representatives of the petitioner conferred with certain honourable members who opposed the bill. Agreement has been reached as to the subject matter of the amendments which it was agreed in the House of Commons would be made in the bill. Another clause in regard to rates has been left for amendment in committee. Copies of these amendments have been prepared and handed to the chairman and they are available for distribution. Furthermore the amendments to the new bill by the company reduce to \$1,000,000 the amount of the authorized increase of capital, as it is believed that such increase will be sufficient for the company's capital stock requirements during this unsettled period, and that it is wiser to wait for things to come back to normal before dealing with the company's long-term requirements.

Mr. HANSON: Are copies of these amendments available for the members?

The WITNESS: Mr. McGeer, have you copies of the amendments?

Mr. McGEER: I have some copies here, but I doubt if there are enough for everyone.

The VICE-CHAIRMAN: Have all members received copies of the amendments?

Some Hon. MEMBERS: No.

The VICE-CHAIRMAN: I understand that there are only a limited number of copies available.

The WITNESS: Mr. Chairman: the first amendments are those to be made to section 2 of the bill which inserts a new subsection 3 to section 5 of the Act. At the meeting of the committee last Friday it was suggested that a clause be added saying that the amendments should not apply to stock previously issued. That is to be covered by making the introductory part of the third section read as follows: "Subject to the provisions of this Act the company may", then, after "may" insert "after the 31st day of May, 1941, issue preference or preferred shares which are", and omit the words "or which are to be"; making it read, "which are at the option of the company, liable to be redeemed"; then, delete the words "provided that", and substitute the words "and in respect to such shares the following provisions shall apply":—the other amendment is to delete paragraph (c)—that is the amendment that was proposed in the house which necessitates in the following paragraph which has been designated by the letter (d) that it be designated by the letter (c).

Do I understand, Mr. Chairman, that you prefer me to read through all the amendments?

The VICE-CHAIRMAN: I think that is the wish of the committee. Is that what you had in mind, Mr. MacInnis?

Mr. MACINNIS: I thought it might be satisfactory if we just had a statement to the effect that we had conferred—I mean, the British Columbia members—and that we deal with the amendments as they arise and as we read them. I think that should be satisfactory. And for the members other than British Columbia members I may say that the following members met with representatives of the company: Mr. Neill, Mr. O'Neill, Mr. Green, Mr. Cruickshank, Mr. McGeer and myself. And I think we are all in substantial agreement with the amendments as now proposed. That is my understanding, and I think that explanation should be made for the members of the committee from outside of British Columbia.

Mr. GREEN: Shall we have them read all the amendments?

Mr. MACINNIS: Mr. Green says it would be better to have the amendments all read. That would be agreeable to me.

The VICE-CHAIRMAN: Then it can be taken for granted that by virtue of the agreement arrived at between the British Columbia members who had certain opposition to certain of these sections, and the company, an agreement has been reached whereby these amendments are satisfactory to those members—am I stating it correctly?

Mr. MACINNIS: I think that is satisfactory.

Mr. O'NEILL: Mr. Chairman, at our previous meeting I endeavoured to get the floor on several occasions but it was impossible for me to do so. I am not casting any reflections on the chair, I want that distinctly understood, because it is very hard to see everybody at all times. However, I wish to make myself very clear in respect to my objections to this bill. I am not, as Mr. MacInnis has stated, in agreement with the recommendations that have been made; although I do agree that the company has gone a long way to meet my objections. As a matter of fact they have met nearly all my objections. There is, however, one thing which I wish to point out in

connection with this bill that I am not in agreement with, and that is that part of the proposed amendment which says, no application for an increase of rates shall be based on any of the increased issued stock of the company as authorized by the amendment of this Act in 1941, but this provision shall not apply to or limit the power of the Board of Transport Commissioners for Canada or any successor to their powers to fix just and reasonable rates upon application by the company for increased rates based on other grounds. Now, I am not in absolute agreement with that. What I suggested and what I have in mind is that that would be all right if there were a proviso there that provided that the company would not apply to the Board of Transport Commissioners for power to increase their rates until the interest rate on shares had been reduced to the interest rate that is paid on bonds, or $4\frac{1}{2}$ per cent. My principal objection, Mr. Chairman, is the 8 per cent rate, not so much to the 6 per cent rate. Now, that could easily be applied in that; "provided, however, that no application will be made until the earnings of the company are reduced to 6 per cent." The 8 per cent rate is the thing that I object to. The other principal objection that I had to this bill has been deleted when they deleted the words "by means of any device, apparatus, system or means of whatsoever nature, whether now in existence or which may be discovered in the future". I objected to that but that has been removed. We have been told that unless the company has the power to earn dividends that will pay 6 or 8 per cent that the issue of the stock would not be attractive to the public. If my memory serves me correctly, at the last meeting it was pointed out by the officers of the telephone company that the Anglo Canadian or Associated Telephone Company would have the first option to buy the shares. Then I can hardly see how they can make the statement that this stock would not be well received by the public, because the common people are not going to be given an opportunity, as I see it, to buy the shares; these shares will be given first option to the holders of the shares now in the company. Now, I do not wish to be placed in the light of an obstructionist. The other members from British Columbia are fairly well in accord on this, and I do not wish to be placed in the light of being an obstructionist. I am not going to oppose this bill on the floor of the house, but I wish to make my position very clear, and that is, I am not in agreement with the provision that allows any company to earn 8 per cent on its money.

Mr. MAYBANK: Mr. Chairman, I appreciate Mr. O'Neill's reason for making these remarks at this particular time, but in effect it means jumping down in the middle of the page. I rather think Mr. MacInnis was a little less than accurate in his statement that he made about agreements because I had had the benefit of some lively conversation with Mr. O'Neill down on the grounds here not very long ago. While I do not think any person can object to this general statement being made relative to these amendments at the present time because it clarifies the atmosphere somewhat, still I believe if we continue now to deal generally with these amendments we will not be advancing the work as well as we might. I thought that with the general explanations that have been made we might proceed through the bill, point by point, presenting these amendments when they came up, and having that idea in mind I would so move.

The VICE-CHAIRMAN: Is it the wish of the committee that we proceed now clause by clause in accordance with the motion made by Mr. Maybank?

Motion agreed to.

The VICE-CHAIRMAN: Shall section 2 carry? The amendment, I think, should be read first. The amendment is that after the word "may" in the second line of the subsection the words "after the 31st day of May, 1941," be inserted. Shall the section as amended carry?

Mr. MAYBANK: Do we need a motion to get that amendment or have you got it?

The VICE-CHAIRMAN: Well, I am instructed when there is an agreement such as this a motion strictly is not necessary.

Mr. MacINNIS: I move that this amendment be inserted.

The VICE-CHAIRMAN: Shall the motion carry?

Motion agreed to.

The VICE-CHAIRMAN: Then there is a further amendment in the second line of the paragraph as follows: Delete "or which are to be" from the fourth and fifth lines of subsection (3) of section 5 of this Act as amended by section 2 of the bill. Shall the section as amended carry?

Carried.

Mr. MAYHEW: May I say a word? I am in this position of having a wire here which I received a few days ago. I was not at the meeting yesterday and could not be at the other one but this is from the Saanich municipality and it says: "The Saanich Municipal Council strenuously opposes the application of the B.C. Telephone Company to increase capital stock." Now I have had no further word from them although I have written for an explanation. The Saanich municipality is in Mr. Chambers' riding, not in mine, and Mr. Chambers is not here to speak for them. The wire was addressed to me. I thought I should put it on record although I am supporting the bill as amended, as you all know.

The VICE-CHAIRMAN: Yes, thank you. There is a further amendment to section 2 which reads as follows: Delete the words "provided that" and substitute the words "and in respect to such shares the following provision shall apply." Shall the subsection as still further amended carry?

Carried.

Mr. HANSON: I would move that.

Mr. McCULLOCH: I second it.

The VICE-CHAIRMAN: Mr. Hanson moved that the subsection as still further amended be carried.

Motion agreed to.

The VICE-CHAIRMAN: Paragraph (c) of subsection (3) of section 2 is to be deleted. May I have a motion for that?

Mr. MAYBANK: I move accordingly.

Mr. DAMUDE: I second it.

Motion agreed to.

The VICE-CHAIRMAN: Then, paragraph (d) should be relettered paragraph (c). Will someone move that paragraph (d) be relettered (c)?

Mr. HANSON: I so move.

Mr. MAYBANK: I second it.

The VICE-CHAIRMAN: Shall section 2 as amended carry?

Mr. MacINNIS: Mr. Chairman, have you a list of the suggested amendments before you?

The VICE-CHAIRMAN: I have them in this form (exhibiting).

Mr. MacINNIS: In the list that Mr. Stairs has subsection (c) has the following amendment: Delete the words "provided that" and substitute the words "and in respect to such shares the following paragraph shall apply."

The VICE-CHAIRMAN: We have passed that one.

We now come to section 3, increase of capital stock. That section has the first section carried but I understand there is a further amendment which would delete the word "twenty" and substitute the word "eleven" on the eleventh line of subsection 1 of section 6 of the Act as amended by section 3 of the bill. May I have a motion for that?

Mr. MACINNIS: I so move.

Mr. FULFORD: I second it.

Motion agreed to.

The VICE-CHAIRMAN: Subsection 2: "Disposition of capital stock subject to the approval of the Board of Transport Commissioners." Shall subsection 2 carry?

Mr. MACINNIS: Mr. Chairman, may I say just a word on this? I wish to make myself clear in view of the statement made by Mr. O'Neill. I thought we had come to a substantial agreement in these matters when we met yesterday. My position is that I am opposed to the private ownership of all public utilities, but as long as we are going to allow public utilities to be in private hands I think we must allow them certain freedom of operation which will make it possible for them to perform their services properly. In my opinion to attempt to insert the provision that Mr. O'Neill asks for, "that until the profits made by the company have reached 3 per cent or something like that" would not be altogether beyond this committee, but it would be discriminatory legislation against this particular company. That should in my opinion be a matter of policy for the dominion government. If the dominion government adopted that policy then we would bring the charter of all companies in line with it. That sort of argument makes a good impression on the public platform but should not be used in a committee of this kind.

The VICE-CHAIRMAN: Shall subsection 2 carry?

Mr. MAYBANK: Mr. Chairman, I wanted to express an opinion as a sort of outsider on that. I have not any objections to this section such as those that have been expressed, but with all due respect I say there are too many words in it. I do not like the draftsmanship of it. I know it says, "it shall not apply"—and I skip a few words—"to the Board of Transport Commissioners for Canada to fix." It shall not apply to the Board of Transport Commissioners to fix. You see, it does not mean anything. Take the next verb there. That does mean something. It says, "this shall not limit the power of the Board of Transport Commissioners for Canada to fix." Well, again that is not grammatical. That is not the draftsmanship that we would have got had there been complete agreement on the wording as to what was desired to be said. Then, further, I have this view of it: if this clause were to read this way, "No application for an increase of rate shall be based on any increase of the issued stock of the company as authorized by the amendment of this Act in 1941"—if it were to stop right there all of the safeguards in the balance of the clause would still exist because the Board of Transport Commissioners would not be limited by reason of that phrase. The Board of Transport Commissioners would not be limited in their fixing of just and reasonable rates upon other grounds. As I understand it, all that is desired is to place upon the company the disability of applying for an increase in rate based solely on this increase in capital stock. Well, if that be the case why not just say that and stop there? It seems to me as soon as we multiply words into the section we are piling up trouble. We have put in that section these words:—"but this provision shall not apply to or limit the power of the Board of Transport Commissioners for Canada (or any successors to their powers)". You cannot tell what Board of Transport Commissioners you

may get in the future. Their powers may be split up into two or three. You may get some organization which will have this power and many other powers as well. That particular phrase may be the subject of a very great deal or argument later on. It would seem to me that the simplest and most terse thing would be the best. Everything that is achieved by what I might call the "rear end of the clause" is indeed achieved for all parties if you stop with the figure "1941". I do not believe anybody is injured; I do not believe the company has any additional disability passed upon it if you stopped there, nor indeed those others who want to make sure that an improper application is not made. They are not injured at all. Then the draftmanship is, I submit, better because clearly our verbs join up with the Board of Transport Commissioners. The verbs which I read the last time do make sense and make complete sense, but as I read it the first time it does not make a sentence. In order to give point to it, because after all I appreciate we cannot be discussing something nebulous, I would move that all the words after the figure "1941" be struck out.

The VICE-CHAIRMAN: Is that in subsection 3?

Mr. MAYBANK: Yes.

The VICE-CHAIRMAN: Subsection 2 is not carried yet.

Mr. MAYBANK: I thought I was in order there. I thought you had come to the amendments of section 3 and that you had substituted the figure "eleven" for the figure "twenty". After having done that the next one to come up would be subsection (3).

The VICE-CHAIRMAN: That is subsection 2.

Mr. MAYBANK: On which there is no change at all?

The VICE-CHAIRMAN: Yes.

Mr. MAYBANK: I thought that was carried because Mr. MacInnis seemed to be speaking along the same lines too.

The VICE-CHAIRMAN: Shall subsection 2 of section 6 carry?

Carried.

The VICE-CHAIRMAN: Now we are on section 3. Perhaps I should read the amendments or the new section which is suggested. It reads as follows:—

No application for an increase of rates shall be based on any increase of the issued stock of the company as authorized by the amendment of this Act in 1941, but this provision shall not apply to or limit the power of the Board of Transport Commissioners for Canada (or any successors to their powers) to fix just and reasonable rates upon application by the company for increased rates based on other grounds.

We should have a motion to insert this new subsection.

Mr. MAYBANK: Mr. Chairman, I expressed my views on the grammar used, and I have nothing more to say. Apparently they have agreed on it, and I will not press the point because it would only delay the proceedings.

The VICE-CHAIRMAN: Shall subsection 3 carry as inserted?

Mr. MACINNIS: Mr. Chairman, I think that the British Columbia members are in agreement; at least I am, and I think Mr. Green is and Mr. Maybank, that we wanted to stop at "1941". The company, I think, wanted to have this further addition for their protection.

Mr. MAYBANK: Mr. Chairman, perhaps my remarks might have had some importance academically. The real problem here, however, seems to me to lie between the proponents of this bill and the members from British Columbia. While my ideas of draftmanship led me to say what I did, if these men are all in agreement I am not going to press my motion; it would only have the effect of slowing up the work and we have been a long time on this matter already.

Mr. LOCKHART: Mr. Chairman, may I just make a comment at this time?

The VICE-CHAIRMAN: Certainly.

Mr. LOCKHART: Mr. Maybank has had a change of mind.

Mr. MAYBANK: For the reasons I mentioned.

Mr. LOCKHART: Possibly a tip from the rear of the room helped. I still cannot agree. While I am strictly an outsider, I more or less take the view that this committee is not only dealing with one bill but it is dealing with a principle which is involved across the Dominion of Canada, not only in one province. Mr. Maybank has seen fit to withdraw his amendment. I would point out that the principle involved here is rather dangerous in the light of the financial statement of the company which appears to me, so far as I can see, to be in a very healthy condition. Their assets have increased by millions in the last two or three years. I am in entire agreement with what Mr. Maybank said and I had hoped that he would continue to express himself and put it in the form of an amendment. I have now to take issue with the compromise. It would appear as though there has been a huddle, with which the members of the committee are not familiar. I do not attempt to usurp any particular powers as a member of the committee; on the other hand, I rather resent in a way that a certain few members should meet and have everything all fixed, as it were, before the other members of the same committee are consulted. This appears to have been all fixed.

In principle, Mr. Chairman, for the brief reasons I have stated, namely, the financial position of the company, I am opposed to any change in the capital stock of the company. That applies across Canada, and I have no particular fault to find with this application. Whether I am alone or whether I can even get a seconder, I would move, as Mr. Maybank formerly moved, that all the words after the figures "1941" be struck out of this amendment, and that it be left as contained in the three and a half lines as indicated in the amendment.

Mr. HATFIELD: I second the motion.

Mr. MAYBANK: Mr. Chairman, since my name has been mentioned and some suggestion made as to why I have changed my mind, I wish to make it perfectly clear that there is nothing clandestine about changing my mind. The tip from the rear of the room did influence me, and the fact that these men are all in agreement is exactly the reason why I refrained from making the motion. I want to be completely candid about it.

The VICE-CHAIRMAN: Gentlemen, it has been moved by Mr. Lockhart that all the words after "1941" in the new paragraph be struck out.

Mr. MACINNIS: Mr. Chairman, mention has been made by other members of the committee that there were outsiders here. There are no outsiders among the members of the committee. They have full opportunity to say and do whatever they see fit to do in the circumstances. Anything that was done by the members from British Columbia was done to facilitate the passing of this bill. The company have reduced the amount of capital asked for from \$10,000,000 to \$1,000,000, and they are asking that merely because of the situation in which we find ourselves, namely, in a war emergency.

Now, the members from British Columbia came to an understanding with the company and they considered that what the company was asking for was reasonable. As I said before, my opinion was, from a layman's point of view, that the proposed amendment should stop at the end of the figures "1941," because I thought that anything added would be superfluous because it would not have any effect on the attitude of the Board of Transport Commissioners

in any case. They must base their authorization for an increase in rates on the evidence placed before them, and nothing that we could put in this Act would or could interfere with their decision in the matter in any case.

The committee is at perfect liberty to deal with this matter as it sees fit, but, as a member from British Columbia, I think that we will have to keep our understanding with the company in this regard.

Mr. GREEN: Mr. Chairman, I am not a member of this committee, but if I may be allowed to make a statement—

The VICE-CHAIRMAN: I understand that was the agreement at the last sittings, Mr. Green, so you may.

Mr. GREEN: As this amendment was originally proposed by the company it read as follows:—

No application for an increase of rates shall be based on any increase of the issued stock of the company as authorized by the amendment of this Act in 1941 but this provision shall not apply to or limit the power of the Board of Transport Commissioners for Canada (or any successors to their powers) to fix just and reasonable rates upon application by the company for increased rates based on other grounds, and on such application to take into consideration the value of the company's telephone properties, plant and equipment.

As the amendment is suggested to-day the last words are dropped, namely:—

and on such application to take into consideration the value of the company's telephone properties, plant and equipment.

That has been deleted. There was the belief held by some of us that that might be used to get around the first part of the clause which said that there should be no application for an increase of rates based on an increase of the issued stock; so the company have deleted the last portion of the subsection.

With regard to the first portion, I doubt if there is any Act which goes as far as that does when it says that there shall be no application for an increase of rates based on an increase in the issued stock. In the normal case, an increase in the issued stock, I understand, might be taken into consideration. This subsection provides that it shall not be taken into consideration, and I thought that that adequately protected the interests of the public in British Columbia, especially when the last few words of the proposed subsection were deleted. Those of us who were opposed to the bill are trying to make certain that the people of British Columbia are protected. In our opinion they are protected, and indeed protected a great deal further as a result of the changes we have made in this bill than they would have been otherwise.

I must be fair about it. I would not want to see an attack on the company on this point after they have met us and put in wording that we think protects the public. They might be willing to take out the words "or any successors to their powers," which they do not have in subsection 2 immediately preceding. But as far as I am concerned, I have made a bargain and I propose to stick to it.

The VICE-CHAIRMAN: It has been moved by Mr. Lockhart that all the words after "1941" be deleted. Those in favour please say "Aye"; those opposed please say "Nay." I declare the Nays have it.

Mr. LOCKHART: Mr. Chairman, may we have a recorded vote?

(On division the motion was negatived.)

The VICE-CHAIRMAN: It has been moved by Mr. Whitman, seconded by Mr. Damude, that the new subsection 3, as read a moment ago, be inserted. Shall section 3 as amended carry?

Motion agreed to.

Section 4 is inserted in the bill and was covered by an amendment. Shall section 4 carry?

Carried.

It has been moved by Mr. McNiven, seconded by Mr. Hanson, that section 5 be deleted.

Motion agreed to.

Section 5 is deleted. We now come to section 6 to which there are a number of amendments in paragraph (1). The first amendment would delete the word "services" where it first occurs in the sixth line and substituting therefor the word "systems".

SOME HON. MEMBERS: Carried.

The VICE-CHAIRMAN: It is moved by Mr. McCulloch, seconded by Mr. Whitman, that paragraph (1) as amended carry.

Motion agreed to.

The VICE-CHAIRMAN: Then there is a second amendment which would delete again the word "services" where it secondly occurs in the sixth line of paragraph (1) and substitute therefor the words "provide service facilities".

Mr. MacINNIS: I so move.

The VICE-CHAIRMAN: Mr. MacInnis moves, seconded by Mr. Mullins, that paragraph (1) as further amended carry.

Motion agreed to.

The VICE-CHAIRMAN: There is still a third amendment which would delete the words "by means of any device, apparatus, system or method of whatsoever nature, whether now in existence or which may be discovered or developed in the future".

Mr. HANSON: I move that we adopt that.

The VICE-CHAIRMAN: It is moved by Mr. Hanson, seconded by Mr. MacInnis, that these words be deleted from paragraph (1).

Motion agreed to.

The VICE-CHAIRMAN: Shall paragraph (1) as amended carry?

SOME HON. MEMBERS: Carried.

The VICE-CHAIRMAN: Shall section 6 carry?

Mr. MacINNIS: That will be section 5 now.

The VICE-CHAIRMAN: Yes. Shall section 5 as amended carry?

SOME HON. MEMBERS: Carried.

The VICE-CHAIRMAN: Shall I report the bill?

SOME HON. MEMBERS: Carried.

The VICE-CHAIRMAN: Shall I report the bill as amended?

SOME HON. MEMBERS: Carried.

The VICE-CHAIRMAN: I understand that it is necessary, when there have been a number of amendments, that someone should move that the bill be reprinted as amended by the committee.

Mr. MacINNIS: I so move.

The VICE-CHAIRMAN: Mr. MacInnis moves, seconded by Mr. Hanson, that the bill as amended by the committee be reprinted.

Motion agreed to.

The VICE-CHAIRMAN: That is all the business we have before the committee.

Mr. LOCKHART: Mr. Chairman, have you any idea when this bill will come before the House?

The VICE-CHAIRMAN: No. That is something I could not enlighten you on.

The Committee adjourned at 11.55 a.m., to meet at the call of the Chair.

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*Railways, Canals and
Telegraph Lines Standing Committee
1946*

SESSION 1946

HOUSE OF COMMONS

Government
Publication

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

(SUBJECT-MATTER OF BILL No. 3,
AN ACT TO AMEND THE RAILWAY ACT)

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

WEDNESDAY, MAY 1, 1946

TUESDAY, JUNE 25, 1946

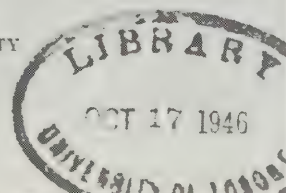
THURSDAY, JUNE 27, 1946

WITNESSES:

- Mr. A. R. Adamson, M.P., Sponsor of Bill No. 3.
- Mr. Hugh Wardrope, Assistant Chief Commissioner, Board of Transport Commissioners, Ottawa.
- Mr. William L. Best, Secretary, Dominion Joint Legislative Committee, Railway Transportation Brotherhoods, Ottawa.
- Mr. H. B. Chase, Dominion Legislative Representative of the Brotherhood of Railway Locomotive Engineers, Montreal.
- Mr. J. L. D. Ives, Vice-President of the Order of Railway Conductors, Ottawa.
- Mr. W. H. Phillips, Vice-President of the Order of Railroad Telegraphers.
- Mr. K. D. M. Spence, Solicitor, Canadian Pacific Railway, Montreal.
- Mr. J. W. G. Macdougall, Assistant Solicitor, Canadian National Railways, Montreal.

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1946

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REPORT TO THE HOUSE

1st May, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

FIRST REPORT.

Your Committee recommends:

1. That it be given leave to sit while the House is sitting.
2. That it be granted leave to print, from day to day, 500 copies in English and 200 copies in French of the minutes of proceedings and evidence to be taken, and that Standing Order 64 be suspended in relation thereto.
3. That the quorum be reduced from 20 to 12 members, and that Standing Order 63 (1) (b) be suspended in relation thereto.

All of which is respectfully submitted.

L. O. BREITHAUP.

Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 1, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11 a.m. Mr. Breithaupt, the Chairman, presided.

Members present: Messrs. Belzile, Bonnier, Bourget, Campbell, Drope, Emmerson, Eudes, Farquhar, Gauthier (*Portneuf*), Gourd, Herridge, Irvine, Knight, Little, Maybank, McCulloch (*Pictou*), Melvor, McKay, Michaud, Mullins, Mutch, Shaw, Whitman, Winters—25.

The Order of Reference was read, viz.:—

FRIDAY, April 5, 1946.

Ordered: That the subject-matter of Bill No. 3, "An Act to amend the Railway Act", be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

The Chairman informed the Committee that Mr. Adamson, the sponsor of the Bill, was unable to be present this day, but that he would be available to attend the next meeting of the Committee.

On motion of Mr. McCulloch (*Pictou*), it was

Resolved, That the committee ask leave to reduce the quorum from 20 to 12 members.

On motion of Mr. Maybank, it was

Resolved, That the Committee ask leave to sit while the House is sitting.

On motion of Mr. McKay, it was

Resolved, That the Committee ask leave to print, from day to day, 500 copies in English and 200 copies in French of the minutes of proceedings and evidence to be taken before the Committee.

The Chairman drew the attention of the Committee to *Hansard*, April 5, 1946, at page 631. The Minister of Transport, speaking on the motion for second reading of Bill No. 3, said: "I think the proper thing is to refer this bill to the railway committee and to invite before that committee representatives of the Railway Association of Canada, of the railways and any others who want to give evidence".

The Chairman informed the Committee that the following were available to give evidence, when asked to appear: Mr. Hugh Wardrobe, Assistant Chief Commissioner of the Board of Transport Commissioners for Canada; Messrs. A. Beatty Rosevear, Assistant General Solicitor, Canadian National Railways and Mr. Duncan McNeill, K.C., Assistant General Counsel, Canadian Pacific Railway, both representing the Railway Association of Canada; and the following nominees of the Dominion Legislative Committee of the Railway Transportation Brotherhoods of Canada: Mr. A. J. Kelly, Chairman; Mr. W. L. Best, Secretary; Mr. H. B. Chase and Mr. J. L. D. Ives.

It was agreed that the Committee would, at the next meeting, decide upon a date for the hearing of witnesses and the order of their appearance.

The Committee adjourned to meet at the call of the Chair.

T. L. McEvoy,
Clerk of the Committee.

TUESDAY, 25th June, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines met at 4.00 p.m. Mr. Breithaupt, the Chairman, presided.

Members Present: Messrs. Adamson, Archibald, Beaudoin, Bentley, Breithaupt, Drope, Emmerson, Farquhar, Herridge, Little, McIvor, Mutch, Robinson (*Simcoe East*), Shaw, Stephenson, Whisman, Winters.

The Committee commenced consideration of the subject-matter of Bill No. 3, An Act to amend the Railway Act.

Mr. Adamson, the sponsor, explained the purpose of Bill No. 3.

Mr. Hugh Wardrope, Assistant Chief Commissioner, Board of Transport Commissioners, Ottawa, was called, heard and questioned.

Mr. William L. Best, Secretary, Dominion Joint Legislative Committee, Railway Transportation Brotherhoods, Ottawa, was called, heard and questioned.

Mr. H. B. Chase, Dominion Legislative Representative of the Brotherhood of Railway Locomotive Engineers, Montreal, was called, heard, and questioned.

Mr. J. L. D. Ives, Vice-President of the Order of Railway Conductors, Ottawa, was called and heard.

Mr. W. H. Phillips, Vice-President of the Order of Railroad Telegraphers, was invited to address the Committee. He stated that he had nothing to add to what had been said.

In response to a request made by Mr. Stephenson, Mr. Wardrope promised to supply the Committee with a statement showing the number of fatal accidents that have occurred at railway crossings (*a*) where signals are installed and (*b*) where signals are not installed.

The Committee adjourned until 4.00 p.m., on Thursday, June 27.

John T. Dun,
Clerk of the Committee.

THURSDAY, 27th June, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines met at 4.00 p.m. Mr. Breithaupt, the Chairman, presided.

Members present: Messrs. Adamson, Beaudoin, Black (*Cumberland*), Breithaupt, Campbell, Chevrier, Drope, Emmerson, Gauthier (*Portneuf*), Gourd, Hatfield, Hodgson, McCulloch (*Pictou*), Mutch, Robinson (*East Simcoe*), Stephenson.

The Committee resumed consideration of the subject-matter of Bill No. 3, An Act to amend the Railway Act.

The Chairman acknowledged receipt of a statement sent by Mr. Wardrope, Assistant Chief Commissioner, Board of Transport Commissioners, showing the number of fatal accidents that have occurred in recent years at railway crossings.

Mr. K. D. M. Spence, Solicitor, Canadian Pacific Railway, Montreal, was called, heard, and questioned.

Mr. J. W. G. Macdougall, Assistant Solicitor, Canadian National Railways, Montreal, was called, heard and questioned.

Mr. Adamson, M.P., sponsor of the bill, was heard briefly.

The Committee adjourned to meet at the call of the Chair.

John T. Dun,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 25, 1916.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 4 o'clock p.m. The Chairman, Mr. L. O. Breithaupt, presided.

The CHAIRMAN: Gentlemen, the subject matter of Bill No. 3, introduced by Mr. Adamson, has been referred to this committee. But before we take that up, may I say that it has been very difficult to secure a room for committee meetings. I am advised that we can have this room—we will hardly be finished to-day, of course—for Thursday morning next at 11 o'clock. Is it your wish to make arrangements to have the room on Thursday morning next?

Mr. WINTERS: There are a good many of us tied up on other committees at eleven o'clock.

The CHAIRMAN: How about Thursday afternoon if we can get the room at 4 o'clock? Will that suit the members?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: If it is the wish of the committee we will arrange for a continuation of this meeting on Thursday afternoon next at 4 o'clock.

The subject matter of Mr. Adamson's Bill No. 3 is before us, as I have said, and as a courtesy to him I believe that we should give him an opportunity to give us a short synopsis of it. I think the bill itself was covered in the House either by Mr. Adamson or by Mr. Graydon on his behalf. I imagine that ten minutes or possibly less would answer his purpose, as time is short. Is it your pleasure that Mr. Adamson be heard?

Some Hon. MEMBERS: Yes.

Mr. ADAMSON: Mr. Chairman and gentlemen, I think I would do better to show you a map, which may help to simplify the explanation of the bill. This is a map of Etobicoke Township, and I shall point out on it, as I go along, the crossings and areas to which I shall be referring.

The basic purpose of this bill is really very simple. When the Railway Act was written it was not envisaged that the cities would spread the way they have, and there was a limitation in the description of cities, towns and townships. Many of the larger cities of Canada have spread through adjoining townships or villages, and these villages and townships now have a density of population as great as or actually, as in the case I am going to explain to you, greater than that of the city itself. Certainly the Township of Etobicoke here has a greater density of population than the town of Weston which is up here (indicating). With the growth of the cities into the townships, the main lines of the railways running through the built-up area of a township had to obey the statutory clause in section 308 of the Railway Act and engines had to blow, sound their regular four blasts on the whistle starting at eighty rods, I think it is, from the crossing and be actually blowing while the engine is crossing the highway.

This area here (indicating), the shaded area, has a population now of some 11,000. In connection with that it may be interesting to note that any area having a population of over 10,000 is called a city in the province of Ontario. Because of geographical conditions in this district—and this applies to several other districts around Toronto—you cannot take this area out of the whole township and call it a city or call it a town because if you did so you would take much

of the taxpaying area out of the township, and that would mean that you would almost bankrupt the rest of the township. These are municipal facts, and I am just bringing them to your attention. So, in order to have a balanced economy in a township, this populated area must remain part of the township by name, for taxation purposes. The question of taxes must be considered for the entire township. Nevertheless, this district is extremely highly built up.

The main line of the C.P.R. passes from the Lambton Mills part of the township through the Islington area and has five crossings where there are wig-wags of one kind or another or a system of gates, and three unprotected crossings. Here are the three crossings which are not guarded (indicated on map). There are omitted from trains passing through on the main line of the C.P.R., some seven hundred signal whistle blasts during the course of a single night at these crossings. Night is considered to be from seven o'clock in the evening until seven o'clock in the morning. That means that there is an almost continuous and perpetual din going on in this residential area.

I have a great many letters here to substantiate my submission, but as I promised the chairman that I would take only ten minutes now, I will leave the presentation of them for later on. Basically, what the bill asks is that where you have built-up areas in a township such as this, these areas may be considered in the same way as a town or city where there is a statutory clause dispensing with whistle blowing. The bill is not—and I want to emphasize this—a blanket bill. There is no intention that it should be a blanket bill. For example, referring to the map again, here is another railway crossing the north part of the township and here is another railway in the extreme south. Both of these are main lines but one railway passes through the industrial section and the other one passes through the rural area. The request is only made for the stoppage of train whistling while passing through the residential section. No request has been made or is being made under the bill that the whistle blowing be dispensed with at crossings up here in the rural area or at crossings down here in the factory district. That is the first point I want to emphasize.

The second point I want to emphasize is this. As the Railway Act now reads, at any crossings where the municipality wants to have whistling dispensed with, this warning cannot be done away with unless the safety measures at the specified crossings are approved by the Board of Transport Commissioners. So the matter of safety is already looked after. It is not a blanket bill at all. It merely wishes to overcome a very real and a very definite menace to the health of residents of areas similar to the designated area in Etobicoke Township.

One more thing, and then I will close my introductory remarks. This township anyway, and I understand other townships which are interested, are willing to assume the same liability as towns or cities; in other words, that of relieving the railway engineers or the railway trainmen if there is an accident, by undertaking the insurance or the liability in a manner similar to that followed in towns and cities.

I think, sir, that is the basis of the bill. It merely wants to extend the wording. I will just read to you the clause so there will be no difficulty about it.

"308, (2): Where a municipal by-law of a city or town prohibits such sounding of the whistle or such ringing of the bell in respect of any such crossing or crossings within the limits of such city or town, such by-law shall, if approved by an order of the board, to the extent of such prohibition relieve the company and its employees from the duty imposed by this section."

That is the way the bill reads now.

My proposed bill 3 merely asks after the words "city or town" shall be added the words "or of a township or village situated contiguous to or near such city or town". The second part of the clause is very definite. It says:—

(3) Where a municipal by-law of a city or town, or of a township or village situated contiguous to or near such city or town, prohibits such sounding of the whistle or such ringing of the bell in respect of any such crossing or crossings within the limits of such city or town, or township or village, such by-law, if approved by order of the Board, shall, to the extent of such prohibition, relieve the company from any penalty or liability under this section.

So that it does not take the prohibition of whistling out of the hands of the Board of Transport Commissioners who must satisfy themselves that each crossing is adequately protected if whistling is being dispensed with.

And now, sir, I think that is all I have to say at the moment. I have a lot of evidence here but I will deal with that at another time.

The CHAIRMAN: Thank you, Mr. Adamson.

We have a number of witnesses here who have asked through the Minister of Transport and through their associations to be heard in connection with this matter. We have Mr. Hugh Wardrope, Assistant Chief Commissioner, Board of Transport Commission, Ottawa. Is it your wish that Mr. Wardrope be heard, gentlemen?

Some Hon. MEMBERS: Agreed.

Mr. Hugh Wardrope, Assistant Chief Commissioner, Board of Transport Commissioners, Ottawa, called:

The WITNESS: Mr. Chairman, the Board I may say has in its long experience every sympathy with and understanding of the affliction that so many people now suffer through the statutory blowing of whistles at crossings outside of cities or towns where no by-laws have been passed prohibiting the blowing of these whistles. The Board if it is at all possible will be glad to see some measure of relief for a lot of these people. But at the same time, referring to the present proposed bill, there are features that give the Board some concern. First of all, the former section of the bill proposed to be amended is now quite specific. It offers relief—I refer to section 308—to towns or cities where they pass a by-law and where that by-law is approved by the board. Well now, that is quite specific. This phraseology tends to reduce the specific part of the clause to something more abstract and more general. For instance, it would be the duty of the Board, if it passes, to administer the bill, and one of the questions before this board is the question of "near"; how far is "near". The word "contiguous" is not so difficult; it means touching, or something like that; but "near" covers a lot of territory. Now, it may be that the board might get into this difficulty; there might be a by-law of one town or village where possibly what they might consider "near" to a city would be quite different from the application the same term might have in another case. That is one of the difficulties. We are the ones who will have to administer the Act and we feel that it may lead to some recriminations and injustice.

That is only one point. The more serious point to our mind is this. To the extent it proposes to embrace this new tariff rate, it tends to lower the barriers of protection now existing at these crossings by reason of whistle blowing. Now, I think you will all agree with me when I say that while whistle blowing may be a nuisance to many people it is a certain protection and warning at all of these crossings. There are 33,000 crossings in Canada

and, as some of you are aware, of these unfortunately only about 2,300, in round figures, are now protected in any one form or other. And, let me say, that protection is an expensive item. At all these crossings where the whistle is sounded as a protection or as a warning it is a protection not only for the people on the highway, but also a protection to the travelling public on the railway. There is no getting away from that. And now, the more whistling is eliminated or restricted outside of cities and towns the greater the danger to the public at large will be. The more you lower whistle blowing at these built up places outside of cities the more you lower protection to the public. If that protection is taken away something may have to be put in its place. I think the municipalities which get this relief will have to be prepared to share in the cost of protection. We are trying to make the picture as clear as possible, and I am putting forward what I have in mind from our point of view and the public point of view.

Take the ordinary crossing. Once a train gets out of the city it gets away from the part where it has to go slower. Trains have got to move quickly these days. They have got to travel and be allowed to travel quickly to serve the public. If there is no warning at all these crossings that they may go over I frankly fear a considerable rise in the crossing accidents we may have unless some other form of protection is there. This will have to be considered by all those concerned. Take a bell and wigwag at a single track where the circuits are not too complicated. For a single track that will cost for flashing lights \$2,500 to \$3,000 for installation and perhaps \$200 to \$300 for maintenance each year. If you have a double track with circuits that are not too complicated that will go up to perhaps \$4,000 or \$4,500. With automatic gates attached to flashing lights and bells and wigwags, which undoubtedly is the best form of protection devised yet outside of subways and grade separations, that may go up to \$9,000. Some of them are going up to \$9,000 now and cost \$300 or \$400 a year for maintenance. Somebody will have to pay for that.

I merely want to point out these two difficulties, first of all the difficulty, as we see it, of interpretation. It has a tendency to reduce specific legislation to more general legislation. I think we are all agreed that is not desirable if it can be avoided. Secondly it tends to reduce the protection when protection is needed at crossings both for trains and for the travelling public more than ever to-day.

By Mr. Stephenson:

Q. I should like to ask one question. If proper signals are installed at these crossings is it necessary for trains to blow whistles?—A. Yes, it is still necessary under the present Act.

Q. Even if signals are installed?—A. Yes.

By Mr. Beaudoin:

Q. May I ask you if subsection 2 of section 308 was in the original Railway Act?—A. I am afraid I could not answer that question.

Q. I should like to know when and why it was introduced?—A. To my knowledge it has been in there since the last revision of the Act, 1919, anyway.

By Mr. Adamson:

Q. Would it overcome your first objection if we altered the amendment and used the word "contiguous" only? That would make it specific.—A. Yes, that would facilitate interpretation. I would not like it to be understood that the board is objecting to the principle in this at all. The board is in full sympathy if something can be done that is reasonably safe to afford or extend

the relief now available in the Act to the more densely populated sections. "Contiguous", of course, is easier to interpret. I do not think there would be any difficulty there.

The CHAIRMAN: Are there any other questions you would like to ask Mr. Wardrope?

By Mr. Robinson (Simcoe East):

Q. Before approving a bylaw from a town do you satisfy yourself as to the other safety precautions at any particular crossing mentioned in the bylaw?—A. When the bylaw is submitted from a city or town one of our inspectors goes out and views all the crossings and makes a report on it to the board. It does not necessarily follow that the board orders automatic protection for any of these crossings. It may not, but in approving a bylaw it does not always approve the bylaw in toto if certain of the crossings are of such a nature that the board feels it to be entirely too unsafe.

Q. In other words, the bylaw will apply to the particular crossings which the board feels are safe without the ringing of the bell?—A. Reasonably safe in the locality.

By Mr. Beaudoin:

Q. That applies mostly to big cities?—A. Yes.

By Mr. Robinson (Simcoe East):

Q. The board could make up its mind in the same way with respect to the population of a township or part of a township?—A. Yes, it could.

The CHAIRMAN: Are there any other questions? If not, I believe we have Mr. A. J. Kelly, Chairman of the Dominion Joint Legislative Committee, Railway Transportation Brotherhoods, Ottawa office.

Mr. BEST: Mr. Kelly was not able to come this afternoon. He had another appointment. Five members of our committee are here.

The CHAIRMAN: Have you a spokesman appointed?

Mr. BEST: There are representatives from the Brotherhood of Locomotive Engineers, the Order of Railway Conductors, the Brotherhood of Locomotive Firemen and Enginemen, the Order of Railroad Telegraphers, and the Brotherhood of Maintenance of Way Employees. We have five of the six so-called railway brotherhoods represented to-day.

The CHAIRMAN: Do you mind introducing them? Do you know who is here?

Mr. BEST: I would be very glad to do that. There is Mr. H. B. Chase on my left, Dominion Legislative Representative of the Brotherhood of Locomotive Engineers; Mr. J. L. D. Ives, Vice-President of the Order of Railway Conductors; W. H. Phillips, Vice-President of the Order of Railroad Telegraphers, and Mr. J. J. O'Grady, Vice-President of the Brotherhood of Maintenance of Way Employees.

The CHAIRMAN: Would you mind giving us your name?

Mr. BEST: W. L. Best, representing the Locomotive Firemen and Enginemen. I happen to be secretary of the committee and probably had the first correspondence with the committee. The secretary kindly wrote me. I think we filed a letter first on the matter.

The CHAIRMAN: We have you here on the list, Mr. Best.

Mr. Bass: I feel quite sure that the representative of the Brotherhood of Locomotive Engineers will want to say something on this. This is merely an acknowledgment of the secretary's letter we wrote on April 15. The first paragraph is merely an acknowledgment of the secretary's letter which we wrote on April 15 and refers to Bill No. 3. The body of the letter reads this way:—

For your information, the Dominion Joint Legislative Committee of the Railway Transportation Brotherhoods, when meeting with the Prime Minister and his colleagues on the 9th instant, briefly referred to the Bill in question, and suggested that if the scope of Section 308 was extended to include townships and villages, it seemed to us of vital importance that assurances be given that adequate protection would be provided at level crossings within the limits of such townships and villages as may pass a by-law to prohibit the sounding of whistle and ringing of bell. In other words, if the protection now provided in Section 308 for the audible warning of whistle and bell is removed, some other reliable and equally effective warning signals should be provided as protection to the public, the prevention of unnecessary accidents, and the conservation of human life and property.

Any one of the 33,000 level crossings in Canada mentioned by Commissioner Wardrop is a potential hazard not only to the operating employees but to the public who have to use the highway itself. Under subsection 3 of section 308—which by the way, was inserted in the Railway Act in 1919—if a by-law is approved under that subsection to the extent of that approval, as has been intimated, the employees of the company are relieved of responsibility. It might be said, "Well, you have not very much kick," but we are interested in avoiding accidents. The operating crew, of course, is involved in any accident that may happen at a level crossing, and sometimes it may be an accident to the train crew itself, depending on the seriousness of the accident. I do not think we can say anything. We are not opposing the bill. It is just the suggestion as contained in that paragraph that if you take away the audible signal, then there is a responsibility, and however the cost of it may be apportioned by the board, who have jurisdiction to administer, there must be some additional protection, in our opinion, to take the place of the sounding of the whistle and the ringing of the bell. I feel quite sure probably Mr. Chase and Mr. Ives may want to add something because Mr. Chase represents the eagle eye.

The CHAIRMAN: Thank you very much. Is it your wish to hear Mr. Chase at this time?

SOME HON. MEMBERS: Yes.

Mr. CHASE: Mr. Chairman and gentlemen: I have not very much to say other than this. The men I represent, namely, the locomotive engineers, would be very happy if they could get away from blowing whistles. They have no desire to wake people up in the small hours of the morning nor have people any desire to be awakened up, but there is this to it. As Mr. Wardrop has said, it is a problem to that engine crew to a very considerable degree. I do not suppose any of you men have ever been so unfortunate as to be on a locomotive which has run into an automobile and killed three or four people. We have had cases where engines have struck a gasoline truck and the engine crew have been burned to death by the flaming gasoline. You can readily understand from our standpoint it is a protection to us.

There is another thing. When I say that they would be pleased to get away from it, in the olden days locomotives only carried around 150, 180 or up to 200 pounds of steam. To-day it is up to 275 pounds of steam. With that whistle tapped in at the front end directly into the superheated steam if you want to get your ears knocked off just get up on the cab of an engine when an engineer blows the whistle for every crossing. You will wish you were

any place but on that engine. I do want to coincide with what my friend, Mr. Best, has said and with what Mr. Wardrope has said. Put the protection there. Have these crossings properly protected, and as far as we are concerned it will be fine and dandy. We will be happy to quit blowing the whistle.

Mr. McIVOR: Therefore the crews are not in favour of this amendment.

Mr. CHASE: We are not opposed to it if you make arrangements to have crossings properly protected. That is the first thing.

The CHAIRMAN: Gentlemen, we are considering the bill in its present form. The reference is not in connection with recommending any further protection much as that might be desirable. The reference is to consider the bill as presented by Mr. Adamson. I want to make that clear.

Mr. MITCH: Is not the element of protection handled by the board itself because it appears to be clear that even should the amendment carry the municipality making the application would first have to satisfy Mr. Wardrope's board before this could be effected. Is that not correct? So that we would have to look for additional protection not to the terms of the bill itself but to the board.

The CHAIRMAN: That is right.

Mr. EMMERSON: What is involved in the installation of proper protection? That is, where does the expense come in, Mr. Chairman? It is expense to whom; to the municipality?

The CHAIRMAN: Mr. Wardrope could perhaps answer that.

Mr. WARDROPE: Usually, as I suggested before, in the case of a single bell and wigwag on a single line, \$3,000, say. The board has what they call a grade crossing fund. That is only applicable to the protection of grade crossings in existence before the year 1909 under the Act, and the board can make a contribution of 40 per cent of the cost of automatic protection or of the cost of grade separation. There are factors in certain cases that vary; but as a general principle it will be found that the balance of the cost has been divided equally between the railway and the municipality concerned.

Mr. EMMERSON: What about maintenance?

Mr. WARDROPE: The maintenance usually follows the cost of construction and is divided equally between the municipality and the railway.

Mr. McKAY: I should like to have an expression of opinion from the witnesses, or at least from the representatives here of the running trades, as to whether they think that the wigwag signals are adequate protection against accidents.

The CHAIRMAN: Do you wish to address that question to Mr. Best as secretary or to Mr. Chase? Perhaps it should be addressed to Mr. Best.

Mr. BEST: There is only one safe protection and that is the separation of the level crossings. A wigwag is not absolute protection. We have gates at Bronson avenue in the city of Ottawa. On a slippery pavement, with people who want to be careful, they may not be adequate. A lady went right into the side of a Canadian National Railway train because, as she tried to stop, the wheels of her car locked; the car just went into the side of the train and it smashed her car to pieces. Fortunately she was saved from accident. We have had cars go into the side of a train and break the brakeman's leg in the city of Toronto.

Mr. McIVOR: When the wigwag was going?

Mr. McKAY: No. That is a gate.

Mr. BEST: There were gates there, Mr. McIVOR. There are gates at Bronson avenue, and they are down with the light showing towards the highway and hooded towards the way a train would be coming. That is just an indication that

there is nothing that is an absolute protection, because there may be some climatic or other condition which will prevent the person with the best intentions from stopping a high-powered motorcar. You know that some people are not just as careful as others. Where they go right into the side of a train they may be killed; or as I have indicated they may break the leg of the brakeman standing on the side of the ladder doing his switching going across that crossing.

Mr. McKAY: The point I was trying to make is this, Mr. Chairman. In that particular instance and in many others of a like nature, the blowing of a whistle would not be a protection against accident. You said in this particular case the woman went right through the gates. She would do the same if she heard the whistle.

Mr. LITTLE: Not if the whistle sounded farther back.

Mr. McKAY: My own experience is that a lot of people do not hear the whistle. If you are driving a car along the highway the car is making a noise and you do not hear the whistle at all. That is especially the case in the car is closed as it would be in the winter time. That is the reason I asked the question in the first place, or why suggestions were made by one of the witnesses that whistles are still blown in those districts where we have wigwag signals. Apparently there is a reason for it, and I should like to find the definite reason. If they do not think the wigwag is an adequate protection against accidents, it would seem logical that we should go further and make a recommendation somewhere—not in connection with this bill, perhaps—that some appropriation be made, and a substantial appropriation, to set up a fund to build overhead passes and other passes to take care of that situation. Apparently we have some 30,000 grade crossings to take care of, according to the figures we have heard to-day.

Mr. CHASE: Might I just say a word there, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. CHASE: In answer to the question I would say this. As far as the engineers are concerned, we have always held the view that at every crossing there should be a total stop for the people on the highways. We cannot get that over. We have never been able to get it over because the auto people and the truck people and so forth are a little bit too well organized. They do not want to stop at those crossings. Here is something else which may never have entered your minds. On the railway every man in engine service and train service has to pass an examination as to eyesight, colour vision and hearing every two years; and when you get so tailing down, when a colour defect shows up or your vision gets down too far or your hearing gets down, you are relegated to the scrap heap. What about people driving these automobiles? With all due respect, how many have good eyesight? How many are colour-blind? How many could even hear the whistle? There is a part of the trouble; and if you want to do something which would make the thing safe and eliminate the use of the bell and the whistle at these crossings, it would be to have a positive stop sign, a stop order on the highway, see that it is enforced, and have that duty taken on by the police.

Mr. McKAY: That is a good suggestion.

The CHAIRMAN: Does Mr. Ives wish to be heard?

Mr. J. L. D. IVES: Mr. Chairman and gentlemen, I do not think I can add a great deal to what Mr. Wardrop, Mr. Chase and Mr. Best have said; but I should like to draw to the attention of the committee that the conductors view with a great deal of concern any relaxation of the safety precautions at highway crossings. I know that I as a conductor have had several experiences of striking automobiles and trucks in villages; and if there is going to be no adequate protection afforded when the sounding of the whistle and the ringing of the bell

are prohibited, then I am afraid that the accidents will increase. I think Mr. Adamson was in error when he said that these whistles must be sounded until the engine passes the crossing. That is not my understanding of the Act. It provides that the whistle will be sounded 80 rods from the crossing and that the bell will be ringing until the engine goes over the crossing. The question was asked with respect to the protection afforded by wigwag signals. The wigwag signal may be very good protection on a single track crossing, but it is not very good protection on a double track crossing because a train may be approaching in the opposite direction and if a whistle was sounded, the person who is going to stop at the crossing, waiting until that train passed, the wigwag working, would have no indication that there was a train approaching on the opposite track in the opposite direction. I think that the committee should give some consideration before they recommend any relaxation in the safety precautions which are now in existence.

The CHAIRMAN: Thank you very much, Mr. Ives. Mr. Phillips is here. I believe. Do you wish to add anything to what has been said?

Mr. W. H. PHILLIPS: No, Mr. Chairman, I have nothing to add to what has been said by the members of my committee.

The CHAIRMAN: Are there any other witnesses to be heard to-day? If not, there are three witnesses who would like to be heard on this bill. They are Mr. J. A. Brass, General Secretary of the Railway Association of Canada; Mr. A. B. Rosevear, K.C., Assistant General Solicitor, Canadian National Railways, Montreal, and Mr. G. A. Walker, K.C., Vice President and General Counsel, Canadian Pacific Railway, Windsor Station, Montreal. As we have heard all the witnesses that are here to-day, I think we should notify these witnesses to appear at our meeting on Thursday, if that is your wish. In that case, we could adjourn now, unless there is some other matter to be brought up. Shall these three witnesses be notified to appear next Thursday at 4 p.m.?

Some Hon. MEMBERS: Yes.

Mr. STEPHENSON: Before you adjourn, Mr. Chairman, I wonder if we could have information at the next meeting, or if it could be made available, as to how many fatal accidents have happened at crossings where there are wigwag signals and how many fatal accidents have happened at crossings where there are no signals at all?

Mr. WARDROPE: May I be allowed to say something in regard to that, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. WARDROPE: The board's annual report is in process of being printed. It is taking some time to be printed. It should be out any time now, and I think all that information will be found in the annual report.

Mr. STEPHENSON: Could that information be obtained for this next meeting?

Mr. WARDROPE: Yes.

Mr. STEPHENSON: If somebody could bring that, it would give us an idea of what protection these signals are affording to the public.

Mr. WARDROPE: What was the information you wanted, again?

Mr. STEPHENSON: How many fatal accidents have occurred at crossings where the signals are installed and how many fatal accidents have happened at those crossings where no signals are installed?

Mr. WARDROPE: For the last year?

Mr. STEPHENSON: Yes, or for several years back. It would give us a better picture.

Mr. WARDROPE: I think we can get that information for you. I will try to have the department do that. Who shall I have that sent to?

The CHAIRMAN: To the chairman.

Mr. MURCH: I move that we adjourn.

Mr. ADAMSON: Mr. Chairman, might I just add one thing, as the question of the behaviour pattern of motorists with regard to wigwags and whistling has been questioned. I have some evidence here that I think might go on the record at this first meeting of the committee.

The CHAIRMAN: Mr. Adamson, a motion has been made to adjourn. A motion to adjourn is always in order. If that is withdrawn, we can proceed.

Mr. MURCH: I am perfectly willing to withdraw it. I thought we were finished.

The CHAIRMAN: The motion being withdrawn, go ahead, Mr. Adamson.

Mr. ADAMSON: It will not take me more than three or four minutes. This issue has so vitally affected the area I speak of that several of the district committee spent an entire night at one of these crossings watching the behaviour pattern of motorists. The night was August 3rd of last year and the crossing was at Royal York Road and Dundas Street which is a main line crossing. I think it is rather interesting because it points out that the wigwag is the controlling feature, not the whistle. It is the wigwag that the motorist watches, and pays attention to. I will just read you the behaviour pattern and what happened:—

At 9.23 p.m. the wigwag and red light came on and traffic, 2 cars eastbound and 1 car westbound stopped 1 minute before the train whistle blew only 50 feet from the crossing.

At 9.45 p.m. the wigwag and red light came on and 2 cars stopped $1\frac{1}{2}$ minutes before the train whistle blew. All traffic stopped when red light flashed.

At 10.22 p.m. no cars crossed at all at crossing.

At 10.31 p.m. 1 car westbound stopped at wigwag which was 2 minutes ahead of the whistle.

At 10.55 p.m. 1 car only stopped by wigwag $1\frac{1}{2}$ minutes ahead of the whistle which blew for the first time while the engine was actually on the crossing.

At 11.07 p.m. 3 cars eastbound, 1 westbound stopped at wigwag and red light 1 minute ahead of whistle, which blew only 40 feet from the crossing.

At 11.09 p.m. 2 cars westbound, wigwag stopped them $1\frac{1}{2}$ minutes before the whistle blew.

At 11.25 p.m. bus eastbound stopped 4 minutes ahead of train whistle.

At 11.32 p.m. 1 car stopped by wigwag 45 seconds ahead of train whistle.

At 12.26 a.m. no cars, no pedestrians.

At 12.40 a.m. no cars, no pedestrians. Train whistle blew for first time crossing crossing.

At 1.11 a.m. no cars, no pedestrians.

At 2.12 a.m. no cars, no pedestrians.

At 3.07 a.m. no cars, no pedestrians.

At 3.56 a.m. no cars, no pedestrians.

At 4.12 a.m. no cars, no pedestrians.

This is the busiest crossing in this area and when there was traffic the wigwag and red light was from 45 seconds to 4 minutes in advance of the train whistle. There are 6 level crossings in less than 1 mile in a closely congested area of approximately 9,000 people. From 7 in the evening until 7 in the morning about 30 trains blow 4 shrieking blasts for each crossing or a terrific total of 700 sleep disturbing whistles every night.

That shows the committee that it is the wigwag which controls the motorist and not the train whistle. Motorists see the wigwag. It is the wigwag that they are dependent upon.

I do not want to take up any more time of the committee. I am quite satisfied that any of the townships I am speaking of would be prepared to go very far with you, with the gentlemen of the brotherhoods, and with the Board of Transport Commissioners in installing safety measures.

That is all the evidence I have, to present at the moment. I thought it was germane to the evidence already given. I thought you would like to see exactly what does happen when the semaphore swings and lights.

Mr. BEAUDOIN: I move we adjourn.

The CHAIRMAN: It has been moved that we adjourn. Is it your pleasure? Carried.

The committee adjourned at 4.51 p.m., to meet again on Thursday, June 27.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

JUNE 27, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 4.00 o'clock p.m. The Chairman, Mr. Louis O. Breithaupt, presided:

The CHAIRMAN: Gentlemen, we have a quorum now, so we will proceed with the deliberations of the committee. At the last sitting, Mr. Stephenson asked for information in connection with grade crossing accidents. I have received a letter from Mr. Hugh Wardrope of the Board of Transport Commissioners in which he encloses a statement in this connection. The letter reads as follows:—

In conformity with a request of one of the members of your committee sitting yesterday in room 268, I am enclosing herewith in duplicate a statement covering a period of four years, showing the accidents which occurred at level crossings throughout Canada during that period.

The statement gives in its summary the accidents involving death and injured at protected crossings and unprotected crossings, giving the killed and injured at each, respectively.

I suppose the best procedure in this connection is to embody it in the record. I have an extra copy here for Mr. Stephenson who asked the question. The statement is quite detailed, but as we will likely have another meeting, there is probably nothing in the statement which needs to be discussed now. The statement reads as follows:

June 26, 1946.

LEVEL CROSSING ACCIDENTS

	GATES			FLASH LIGHT AND BELL			BELL AND WIG WAG			BELL			WATCHMAN			UNPROTECTED			TOTALS		
	A	K	I	A	K	I	A	K	I	A	K	I	A	K	I	A	K	I	A	K	I
1941	7	3	8				40	20	68	12	2	14	9	2	11	312	110	420	389	137	521
1942	6	2	7	2		2	44	25	64	11		21	6		11	272	119	371	341	146	476
1943	5		5	1		2	7	17	57	7	15	6	2	1	3	249	78	366	301	111	439
1944	10	2	12	3	1	6	46	25	49	20	4	12	3	1	4	208	108	363	349	141	447
	28	7	32	6	1	10	167	87	238	40	21	53	26	4	20	1,191	415	1,520	1,392	535	1,889

Summary of Totals—1941-44—

	A	K	I
Protected Crossings	261	129	381
Unprotected Crossings	1,191	415	1,520

Symbols:

- A—Number of Accidents
- K—Number Killed
- I—Number Injured

It was agreed at our last meeting that we would hear further evidence on the bill, Mr. Adamson's bill, No. 3; and today I am very pleased to announce that we have Mr. Spence, solicitor for the Canadian Pacific Railway, Mr. Macdougall, assistant solicitor for the Canadian National Railways, and Mr. Matthews from the Transport Department. If it is your pleasure, I shall call upon the first named as a witness, Mr. Spence, the solicitor of the Canadian Pacific Railway, Mr. Spence!

Mr. K. D. M. Spence, Solicitor, Canadian Pacific Railway, called:

The WITNESS: Mr. Chairman and members of the committee, Mr. Macdougall is with me, representing the Canadian National Railway, while I represent the Canadian Pacific Railway; so between us we represent the Railway Association of Canada. The railways are not opposing the principle of this bill. We realize that there are some municipalities which are, to all intents and purposes, a part of a city or town but which are deprived of the advantage of section 308, as it is worded at the present. However, there are some points about the bill that we would like to mention to the committee.

The first point relates to the words "contiguous or near". The clause reads:—

- (2) Where a municipal by-law of a city or town, or of a township or village situated contiguous to or near such city or town," and so on.

We suggest that these words are perhaps a little too broad, and that they might be changed to something more precise; or that, perhaps, the words, "or near" might be struck out. It is the old question of how far is "near." From the distance away of Vancouver, Ottawa seems very near to Montreal, to carry the illustration to absurdity, of course. But from Ottawa, Montreal is actually 111 miles away. Each municipality may think that it is near enough to a city or town to be given the advantage of this bill. The matter would then be left entirely to the discretion of the Board of Transport Commissioners. Perhaps the board might not welcome the idea since it would lead, we feel, to a number of troubles, differences of opinion, and cases, before the board which, at the present time we do not have because the Act is precise.

I suggest that the words: "or near" be struck out. Perhaps that would not cover some meritorious cases because, if it is left only to municipalities that are contiguous, that is, actually with one boundary touching the boundary of a city or town, there may be some cases in which there is a slight separation of boundaries, and the result would be that the municipality could not take advantage of the bill.

Another suggestion is that we substitute the words, "metropolitan area". We might say: contiguous to or within the metropolitan area of such a city or town. I am not satisfied with either, because we would first have to define what is a metropolitan area; but first of all it might make it a little more precise than the word "near".

Now, on the general question of a possible extension of the power to pass anti-whistling by-laws, we think there are dangers that require very serious consideration. Many people of course are inclined to regard the whistling of locomotives as nothing but a public nuisance, whereas, in fact, it is, of course, designed to save human life. In cities and towns the danger is not so great because railway traffic and highway traffic are much more moderate than they are away from the cities and towns. But even in a case such as Islington, for example, we have trains travelling at very high rates of speed, sometimes as much as seventy to eighty miles an hour across level crossings, which are protected at the present time by either wigwags or gates, and in some cases they are protected as well by whistle signals. We have a double track line there and we have trains travelling very fast on both lines. When a man driving a car comes to one of those crossings he sees the wigwag working and sees a train pass, and the wigwag continues to work after the train has passed. It is not popularly known that a wigwag is designed to stop as soon as the end of a train passes the crossing. A motorist will see a wigwag still working and will drive across. If we have a whistle signal for a train coming the other way, the motorist will have that additional warning; but if you remove the whistle signal, he has no warning at all, so far as he knows. There is that danger at all crossings where there are two tracks.

Then, if we extend immunity from whistle signals, we increase the danger of derailment of trains by accidents, and danger to the engine crews, and danger to the passengers in the train arising from a sudden application of the emergency brake. We have had cases where trains parted into two or three sections when the brakes were applied suddenly because of a motor car on the crossing. We also have difficulty, if we get too many of these anti-whistling by-laws, the difficulty of giving instructions to our engineers who, particularly, if they be on a line that is not altogether familiar to them, may not know where one community ends and another begins, where the whistle must be sounded and where it may not be sounded. That is something for the railways to face; but with the human element involved, it may, at times, lead to accidents which might otherwise not have occurred. Then, if we extend this principle too far, the common law liability on the railway companies to take adequate precautions to avoid an accident, regardless of whether the statute says they must do so or not, is going to be increased if it is left more and more to the engineer of the train to make a split-second decision on whether or not he should blow the whistle, a decision that involves the lives of the public and perhaps \$1,000,000 worth of property.

Secondly, to sum up, while the railways are not arguing against the idea behind this bill, because we think it is a fair and reasonable idea, that is, to give to communities that are really parts of cities the right to pass the same sort of by-law that cities do—while we are not opposed to the idea behind the bill, we are afraid rather that the language employed may be broad enough as it stands at the present to permit an extension or application of section 308 far beyond what the drafters of the bill really intended it to reach, and also very much beyond the limits of public safety. I have nothing further to add unless the committee desires information on any particular point.

The CHAIRMAN: Are there any questions you would like to ask Mr. Spence?

By Mr. Campbell:

Q. Do the flashing lights ever get out of order?—A. They are designed to operate continuously if anything goes wrong. It is a very complicated wiring system. It is in a series of relays down the tracks; and if any one of those relays goes out of order, the lights flash continuously. The same thing applies to the wigwag. There is a possibility that the very last circuit, the circuit which leads to the lights, might get out of order; but that is a very, very rare occurrence; and as a rule the lights signal themselves if out of order, while signalling to the public that there is danger.

Q. Is it possible to draft a bill so that it would apply only to crossings where there is supposed to be adequate protection, or would that make it too much involved?

Hon. Mr. CHEVRIER: That is done already by virtue of the Board of Transport Commissioners.

The WITNESS: Yes, the board may select crossings at which it permits a by-law to eliminate whistling.

Hon. Mr. CHEVRIER: May I follow up the question that was asked. Assuming that this section were passed or a section similar to it, is there still not an obligation on the part of the Board of Transport Commissioners to see that, when a by-law is passed by a municipal corporation covering crossings such as this, the crossings are adequately protected before the by-law is accepted by the Board of Transport Commissioners?

The WITNESS: Oh yes, I understand it is still within the discretion of the Board of Transport Commissioners whether or not to approve the by-law. The only difficulty we foresee is that cases farther and farther away from cities and towns will be put up to the Board of Transport Commissioners and there may be considerable confusion as to which community is entitled to it.

The CHAIRMAN: The difficulty would be to define the words: "metropolitan area", and what is "contiguous".

The WITNESS: Yes, and what is "near". That is really the essence of the difficulty that we foresee.

By Mr. Hatfield:

Q. How many times is the engineer supposed to blow his whistle?—A. One set, one long and two short.

Q. The engineer, of course, is obliged to do so by statute?—A. Yes, the engineer is obliged by statute and by regulation of the board to give one long and two shorts, and if he sees a car approaching which he thinks should be warned still further, he may give a further whistle signal.

Q. I mean, when there is no car on the road, say about five o'clock on some Sunday morning. I live in a town where it often occurs. Some smart engineer wants to wake all the people up on some Sunday morning and he blows his whistle fifteen to twenty times while going through the town. It often happens. What about that?—A. I would like to have it reported to the general superintendent or to the officials of the railway. We frequently do get complaints from municipalities saying that the whistle is being blown unnecessarily; and we check up on our engineers and tell them to curtail their whistling to the minimum necessary for public safety. I believe in most cases they do so. If there are any cases such as you mentioned, we would be very glad to know about them.

By Mr. Emmerson:

Q. Where there is a wigwag, do they have to blow for that crossing?—A. Yes, regardless of automatic protection.

By Mr. Robinson (Simcoe East):

Q. Mr. Adamson's explanation of the bill at our last meeting referred to only one municipality which was in the neighbourhood of Toronto. Do you know how many municipalities there are to which this bill might properly be made applicable throughout the whole Dominion?—A. We hoped that it would be limited to Toronto and Montreal. I cannot give you that information off-hand, but I could get it for you and present it to the committee later.

Mr. McCULLOCH: The train goes through towns just the same as through cities.

By Mr. Robinson (Simcoe East):

Q. If the bill is designed to meet the situation in metropolitan areas, how many places in Canada would it apply to?

By Mr. Stephenson:

Q. As I understand it this bill applies to towns. Now there are a lot of towns which requested it to be done and they are within the present law; but it does not say that it applies to villages and townships.

Hon. Mr. CHEVRIER: The section as it now stands is on the other page. That is the law as it is today, section 308: This section is to break it down further and make an exception.

Mr. STEPHENSON: In fairness to those municipalities which adjoin the larger cities, it is only fair to give them the same right. You may have a population of from 20,000 to 30,000 in a township, and on the other hand you may have a population of only 6,000 in a municipality, as is the case in the

municipality where I live; yet in the latter case we might apply, yet the township with 20,000 is not entitled to do so. We are asking that this law apply to municipalities adjacent to cities.

MR. ADAMSON: This municipality has a population of somewhat over 11,000, and the town of Weston has, I think, a population of some 7,000 or 8,000; yet the town of Weston can and has applied for the relieving prohibition; whereas this municipality cannot apply for it. I explained to the committee yesterday why you cannot take the built-up area of this township out and call it a city or town because of its relationship to the over-all economic tax structure of the whole township; it would be grossly unfair to the rest of the township to do so.

HON. MR. CHEVRIER: You asked, Mr. Stephenson, if that is not right. The answer depends on what is contiguous to or near.

MR. STEPHENSON: You would have to modify it or make it specific. "Near" would be hard to define; but in a case where it joins a largely populated city, they ought to have the right to apply the same as the town I live in.

MR. MURCH: There does not seem to be any great difference of opinion as to the desirability of the municipalities, in the circumstances, being able to protect themselves. Above all, there remains to be considered whether Mr. Adamson's bill does, in fact, effect the relief desired; and secondly, whether it does so the best way it could be done; and there is another point, whether it exceeds the necessity.

HON. MR. CHEVRIER: I think the bill meets the situation in this particular municipality; but the question is, whether it would do so elsewhere.

MR. MURCH: Does it do so in the best way, or does it change the Act in a way that is less desirable than in some other way. I should think that the witnesses would know whether or not this bill meets the need, whether it does so in the best way; or whether there is a better way. Mr. Adamson is concerned in getting relief for his people; we should have expert advice on whether we are going far enough.

HON. MR. CHEVRIER: That was the object in sending the bill to this committee.

THE CHAIRMAN: Would Mr. Spence care to give an opinion on that? He is still being questioned.

MR. ADAMSON: I am perfectly willing, if the witness objects to the words "or near", to have them struck out of the bill. I think that would meet nearly all the objections mentioned so far except those which relate to double crossings.

THE CHAIRMAN: I had really called on Mr. Spence.

MR. ADAMSON: I am sorry, Mr. Chairman, for butting in.

THE CHAIRMAN: It's all right.

THE WITNESS: I would say that if the words "or near" were struck out, we could have very little further objections. I gave the example of the double crossings in order to illustrate the dangers prevalent everywhere at railway crossings where there were no whistles. That, of course, is the case just inside boundaries of Toronto, if there is a crossing of a similar kind there. It is the case, just the same inside boundaries as it is in Islington. Trains are slackening speed if they get inside to some extent, and Islington is a community which, in fairness, we think should be allowed to submit its case to the Board of Transport Commissioners for a by-law. In spite of the fact that there is a series of double crossings there, that is a matter which perhaps the board will consider in deciding whether it will approve the by-law or not. I was not trying to single out Islington; I was only giving that crossing because I

happened to see the map there on the wall, and I am familiar with it. What I meant was that there is a danger at all crossings all over Canada, and the more widely we expand the delays in whistling the greater the dangers.

The CHAIRMAN: Is your home in Islington?

The WITNESS: No, my home is in Montreal, but I know these crossings.

By Mr. Adamson:

Q. I have known these crossings pretty intimately. I realize the difficulty, but the whistle of the other train does not help; the wigwag still goes. The train that has already crossed the platform makes so much noise that the motorist is likely to cross because he cannot hear the whistle of the approaching train. The warning bell of the approaching train does not help the safety of highway traffic, because the noise made by the train in passing is so great that the whistle of the oncoming train is not heard by the motorist.—A. Yes, there is that difficulty, I admit. Also there is the train which has passed, so that the sound does not get across the crossing.

Q. That cuts it out too, so that the whistle is not a safety measure in the case of the double crossing.

The CHAIRMAN: We might hear from Mr. Macdougall now. He is the assistant solicitor of the Canadian National Railways.

Mr. J. W. G. Macdougall, Assistant Solicitor, Canadian National Railways, called:

The WITNESS: Mr. Chairman and members of the committee, as Mr. Spence said, he and I are jointly representing the Railway Association of Canada and I personally am representing the Canadian National Railways. I should like to say that I am in complete agreement with what Mr. Spence has said, and the main point in our mind is that the interpretation which could be put on this amendment would be too wide for it to be a proper one. I should also like to make it clear that the Canadian National Railways do not object to this amendment being made or to this bill being passed, but they do wish that the views of their operating officers as to the effect of such an amendment be put before you. Mr. Spence has mentioned most of the effects of this bill and in general the main objections against any widening of this regulation as an additional increase of hazard to the public. It is not a railway matter, it is a matter of the public. That is a question which is one for the House to decide—whether or not it is going to take on this additional obligation of putting this extra burden on the population.

There were several things Mr. Spence did not mention which are inherent in this additional hazard. One is the fact that if this bill were ratified in as wide a form as it is now it would be possible for an engineer to cover a whole run of 50 or 60 or 70 miles in a fairly populous area without once having to blow his whistle. The applications that would come in from all over the country under such a bill which allowed villages which are near cities or towns to make application could reduce this section to something which is worthless, and you would have trains covering long stretches of their runs without blowing whistles at all. That increases the danger.

Hon. Mr. CHEVRIER: Do you mean that a train entering the province of Ontario from Montreal at the Quebec border would travel almost right through to Toronto without blowing its whistle if all the villages contiguous to cities or towns made applications for the passing of a by-law and they were approved by the Board of Transport Commissioners?

The WITNESS: If that interpretation were put upon this section it is possible that could happen. Possibly it is an exceptional case and a stressed argument, but it is possible; but I should like to reiterate what Mr. Spence said about the difference in the speed of trains in rural and urban areas. At the present time section 308 of the Railway Act applies to cities and towns where the normal speed of vehicles is 25 or 30 miles an hour and trains also are operated at considerably reduced speed. If a wide interpretation were to be put upon this amendment, or if it allowed a wide interpretation, then you would have the prohibition against whistling and ringing of the bell in area where motor vehicles are travelling at 50 or 60 miles and trains travel at 80 miles an hour. The great worry of the railway is not necessarily the great worry of the public although the railway is interested in the public welfare. Then again, the more you increase this anti-whistling regulation the wider you make it and the greater is the danger of chances of derailment of a train. Every time there is a collision you have the danger of derailment when cars run into the side of trains and get under the wheels. There is that danger of derailment and serious injury or death to the passengers of the trains as well as to the people in the vehicles. I agree with Mr. Spence that should the words "or near" be taken out of the bill that would improve it tremendously and a great number of the objections would be nullified. I think it is most important from the railway point of view that the bill be made as specific as possible so that it leaves no chance for the dangers I have mentioned to creep in.

Hon. Mr. CHEVRIER: If you take out the words "or near" is there still not some objection? What I have in mind now is not the case we are dealing with, but towns and cities like Belleville, Oshawa and Cornwall, where there is a municipality and alongside of it there is a township with a population of maybe 2,000 or 3,000. It would mean that these municipalities could apply for a by-law such as is required here. Would it not be much better to limit the scope of this Act to larger areas like Toronto and put in a limitation with reference to population in addition to taking out the words "or near"?

The WITNESS: I think personally that that could be done to make it more satisfactory and to ensure that it is going to be used simply for the purpose for which it was originally conceived. That is the best policy that could be adopted.

Hon. Mr. CHEVRIER: I would like to make myself clear on this. What I find objectionable in this bill is that a municipality like the township of Cornwall—I refer to it because I know it—it is a small township and its population could apply under this and get relief and then a train might travel 40 or 50 miles without blowing its whistle at all. I think that is bad from the point of view of the public, although I would think it would not be bad in a municipality which is just adjacent to the city of Toronto. I believe that is all this bill seeks; that is a remedy for that particular situation.

Mr. MITCH: Make the limitation to places contiguous to a city of 100,000.

Mr. STEPHENSON: Why the need of putting city or town in at all?

Hon. Mr. CHEVRIER: Because you already have it in section 308.

Mr. STEPHENSON: A town has that privilege; why a town?

Hon. Mr. CHEVRIER: I have no objection to taking that out. I should like to see some remedy for the situation because frankly it is not a good one; but, on the other hand, I would like to see as little by way of protection as possible taken away from the public. In other words, I should like to see preserved for the public all the rights we now have under section 308 (2) if that is possible.

Mr. STEPHENSON: It reads:—

...a township or village situated contiguous to or near such city or town...

and the town already has the privilege. You would limit it to a city?

Hon. Mr. CHEVRIER: Yes, having a population of 100,000 or more, or some such other limitation. I think that cuts the bill down still more, but I do not think there would be any objection from Mr. Adamson. I think he is seeking relief for his particular area.

Mr. CAMPBELL: Is there a need for this bill? I listened closely to the discussion and to my mind the House of Commons should not take away any protection that the public has as far as railway level crossings are concerned. I think our objective should be to do away with the level crossings. For instance, if the House of Commons passes a bill of any kind limiting the use of whistles in the larger cities, is it not going to be a headache for the railways and the Board of Transport Commissioners to keep all the smaller towns and villages from asking for the same thing?

Mr. STEPHENSON: They have that right now.

Mr. ADAMSON: We have that under the Act as it is.

Mr. CAMPBELL: Mr. Spence said something about the sudden braking of trains at 70 miles an hour. I was on a train two years ago when a drunken soldier, I think, pulled the cord and the emergency brakes were put on, and the engineer told us afterwards that his engine jumped, he figured, two feet off the rail and came back down again and pulled the first two cars apart and delayed the train for four hours. That might have caused death or injury to a lot of people. I do not like the bill. I think it would be possible for the Board of Transport Commissioners and the railways, knowing the feeling this raises in some of these centres, to get together and by cooperation eliminate a lot of this whistling without having the House of Commons pass a bill that I am sure is going to give us a lot of headaches and will take away a lot of the protection that the public now have.

Mr. ADAMSON: Mr. Campbell, that has been tried. I have taken this up with the Board of Transport Commissioners, and this is the only possible way by which relief can be given—passing a bill through the House of Commons. I think that all the witnesses we have had before us have agreed that some relief is necessary for the condition I am speaking of around the city of Toronto, and there is another case near the city of Montreal. I believe that nearly all the witnesses have said on cross-examination that the whistle was not the primary factor of safety if you have protection by wigwagging at your crossings. This bill does not increase the power of the municipality to-day to pass a by-law asking for this relief, and the relief is not granted unless the Board of Transport Commissioners approve of the safety measures taken at the crossings.

Mr. CAMPBELL: There is another point that has not been mentioned by anybody and that is the fact that we have very violent snowstorms and there will be times during those storms when a driver cannot see the wigwag working.

By Mr. Hatfield:

Q. Is it safe to operate a train through a thickly populated area over level crossings at 80 miles an hour? A whistle is no good at that speed.—A. I do not think anyone would operate a train at that speed through a town. The operation of railways always has a certain amount of hazard in connection with it, and it is regulations like this that keep accidents to a minimum.

Q. You said they operated trains through this town at 70 and 80 miles an hour.—A. If I said that I did not mean it. I am not sure what our time-table shows in that town, but it does operate in small communities at that speed.

Q. You could not operate through a town in the United States without a flagman or gates in towns.—A. I am not familiar with the American regulations, but I do know that they are governed by each city individually. They have their regulations which are somewhat similar to ours, and they vary in each state.

Mr. ADAMSON: In this case I mentioned, the town of Weston is actually farther away from the city of Toronto than the area I have given there, and the speed of the trains through Weston is probably just as high or higher than it is through this district, and yet Weston has the protection of the non-whistling clause, and this area I am referring to does not have that protection.

The WITNESS: That is quite true. We make no point of the fact that this regulation will work hardship on some people; it is bound to; and in this case it certainly seems to be doing so. We are as anxious as anyone to eliminate this noise, but the question is as to the wording of the actual bill so that it will not go farther than was originally intended.

By Mr. Adamson:

Q. If you remove the words "or near" that will remove the bulk of the objection, would it not?—A. It is my opinion if those two words are removed it would help considerably.

Q. With the safeguard that no municipality can pass a by-law and have it put into effect unless it is approved by the Board of Transport Commissioners?—A. That is the arrangement which is presently in effect.

Q. And under this Act the whistling prohibition shall only apply to such crossings as are designated by the municipality?—A. That also is the way the regulation is.

Q. That is the way the regulation reads?—A. It is not possible to pass a by-law prohibiting whistling in a town; it is only possible in relation to a specific crossing within a town.

Mr. ADAMSON: In this case there are only four or five crossings where we asked for relief. I explained to the committee at the previous meeting that the Canadian National Railways line which runs across the north part of the township, and the Canadian National Railways line which runs through the industrial section of the township are not affected, they are not a menace the way this railway is that runs through a very large residential section of the township.

By Mr. McCulloch:

Q. Do you consider the blowing of the whistle to be a safeguard?—A. It is done purely for the safety of the public.

Q. Don't you think it would be far better to blow the whistle than to have a certain number of people killed?

Mr. DROPE: Whistling has never killed anybody; but the train probably would.

Mr. McCULLOCH: The whistle might scare people enough to make them stop.

Mr. ADAMSON: The point of the bill is that we are only asking for relief at crossings that are protected by wigwags. As has been shown by witnesses appearing before this committee, it is the wigwag that stops the traveller, not the whistle.

Mr. HOBSON: If you drive a car you do not hear the whistle.

Mr. ADAMSON: Precisely; and those crossings that are not protected by wigwags will be protected by wigwags if we get this relief.

Mr. McCULLOCH: The driver of a car coming up to a wigwag might not be able to see the wigwag.

Mr. ADAMSON: Yes, and with a car closed up during a storm, you do not hear the whistle.

Mr. STEPHENSON: With regard to this particular argument, I would prefer that the matter be deferred until the next meeting. The statement submitted to us indicates that at crossings which were protected, for instance, during the

years 1941 to 1944, where it was possible to check, there were only 238 accidents where there were wigwags; and where there was no protection there were 1,520. I stopped once at a crossing where there was no signal yet the whistle was blowing. While we stood waiting, an old fellow who was apparently hard of hearing came along the other way. We watched him approach that crossing and we thought he would be hit; but he saw the train in time and drove his car into the ditch, yet the train was whistling and he did not hear it. There are lots of people driving automobiles who are hard of hearing; but most people driving automobiles have fairly good sight.

The CHAIRMAN: Are there any other questions that you gentlemen wish to ask Mr. Macdougall? I think before we consider the bill finally we should hear from the solicitor of the Transport Department; but he will probably have to wait until another meeting. Before we adjourn, if there are any other questions to be asked, now is the time to do so, when these gentlemen have been good enough to come here.

Mr. BLACK: Are there any double tracks or special crossings referred to in that municipality?

Mr. ADAMSON: The main line of the Canadian Pacific has a double track.

Mr. BLACK: I consider that double tracks are a very great menace. It is instinctive for a person, after seeing one train go by, to believe the track to be clear and to start across.

Mr. ADAMSON: The whistle does not help us. If it could be shown that the whistle helps in these cases, then there would be some objection to the bill; but the whistle in these cases does not help materially to cut down your accidents.

Mr. DROPE: We get reports only of the people who got hurt. We do not hear about the people who heard the whistle and stopped.

Mr. ADAMSON: According to the report that I gave at the last meeting, the people are activated more by the red lights than by the whistle. I gave you the details of a committee which spent an entire day checking at one of the main crossings. Their report showed that drivers will stop at a swinging wigwag or a red light wigwag, but they will not stop on the whistle; so the whistle was a redundancy, an unnecessary warning in these cases.

Mr. METCH: I do not think it is for this committee to decide what we are presently discussing, the efficacy of various types of warning devices. We all know that the purpose of a whistle is to be a warning to the public, and the same is true of gates and wigwags. We know, too, of instances where, in spite of both, accidents do continue because the human element enters into it and the motorist is sometimes unobservant of any warning. Have we not simply to decide, as the minister suggested a few moments ago, the matter of this particular bill? We could go on hearing evidence and expressing our own opinions until the end of the session without deciding the efficacy of the various systems; but what we have to decide is whether municipalities shall enjoy the same risks that their neighbouring cities enjoy. I do not want to be insistent about it, but one objection has been pretty well overcome by removing the words: "near to". If that does not go sufficiently far, perhaps the sponsor of the bill would move to restrict it further to eliminate this thing spreading out into small rural areas, and to confine it strictly to the larger centres. I do not know that we can accomplish anything more by a general discussion of wigwags versus bells. I remember once looking up into an engineer's face when it was too late to put on the brakes, when I steered my car into a cement post. That cement post stopped me or I would not be here to-day. It is an endless argument. I do not know whether you want to hear more evidence if this particular bill gives the relief required. We should make sure that it does not open up any other avenues.

MR. ADAMSON: Just replying to Mr. Mutch for one moment: Let us suppose that the township of Cornwall, the city of Cornwall, should apply for relief and it was a rural area. The Board of Transport Commissioners would have to pass on that by-law; and if in their judgment it was not necessary for the relief to be granted, they could deny that relief. So, the idea of a train running from Montreal to Toronto without having to blow its whistle—unless the Board of Transport Commissioners were entirely out of their minds—they would not give such relief to those rural communities, even though they were adjoining or contiguous to a city.

HON. MR. CHEVRIER: That is the objection that I see to it; rural municipalities to my mind should not be given that opportunity because then you would have hundreds of applications likely to be made. That is the weak part of the bill as I see it.

MR. ROBINSON (*Simcoe East*): Why should we burden the Board of Transport Commissioners with numerous applications of this sort?

THE CHAIRMAN: That is exactly why I believe we should hear the solicitor for the transport commissioners and get his view on it before this matter is finally decided.

MR. ADAMSON: Would the minister be agreeable, if we amend the bill in such a way that it would apply only to urban municipalities outside of or contiguous to cities of 50,000 or over?

HON. MR. CHEVRIER: The minister has nothing to do or say with this matter. It is for the committee to decide. I made my position quite clear in the House of Commons when I said there were some good and some objectionable features to this bill. That is why I moved it to be sent to the committee, so that the committee could decide what should be done with it. Mr. Adamson's point deserves serious consideration. There is certainly a difficult position being created adjacent to the city of Toronto; but I fear that by remedying the situation there you are going to do harm elsewhere. I do not think it is up to the minister to do or to say any more than he has already done.

MR. MUTCH: Do you think that my suggestion might, in some degree, overcome that possibility?

HON. MR. CHEVRIER: If I were asked for an additional opinion, I would say that there certainly ought to be some limitation added to this bill in addition to that of removing the words "in or near". I think a reference to population should certainly go in there; because if you do not put in a limitation with reference to population, you are going to enable rural municipalities adjacent to cities all along the line to make applications.

MR. MUTCH: Rural suburban municipalities.

HON. MR. CHEVRIER: Yes.

MR. MUTCH: We should deal with that, when we come to clause by clause consideration of the bill.

HON. MR. CHEVRIER: It might be advisable to ask the opinion of the counsel of the Board of Transport Commissioners because I do not think I am competent to advise on the phraseology of a thing like this. In fact, I would not attempt to do so.

MR. ROBINSON (*Simcoe East*): I asked Mr. Spence earlier how many metropolitan areas in Canada might be expected to meet a situation like this, as Mr. Adamson has described. Possibly if we knew that, we could deal with the bill in a proper manner.

THE CHAIRMAN: I might point out to the committee that the bill would not be considered by this committee clause by clause. The reference was to the subject-matter of the bill, bill No. 3, an Act to amend the Railway Act. We cannot consider it clause by clause. It was not given second reading.

Mr. Mutch: The reference was to the principle.

The CHAIRMAN: That's right.

Mr. Adamson: But this committee can amend the bill?

The CHAIRMAN: I would think so, and recommend it to the House.

Mr. Adamson: As amended.

The CHAIRMAN: If that is desirable.

Mr. Stephenson: What population would you suggest, Mr. Chevrier?

Hon. Mr. Chevrier: I think it should be 100,000 or more, although I have not given it any thought.

Mr. Black: Contiguous to an urban community of 100,000.

Hon. Mr. Chevrier: That raises the objection of what is contiguous; what does that mean.

Mr. Black: What urban municipalities or communities now have this restricting authority. Do any of them, even the small communities of say 10,000? I am not referring now to communities contiguous to urban communities themselves.

Hon. Mr. Chevrier: They cannot pass a by-law such as this, now.

Mr. Black: I understand that some urban, largely urban municipalities, now have authority to restrict the blowing of whistles within their boundaries.

Hon. Mr. Chevrier: Yes, cities or towns.

Mr. Adamson: Any city or town has that right.

Hon. Mr. Chevrier: Yes, a city or town has that right; but a township adjacent to a city or town has not got that right.

Mr. Black: How many cities or towns would ask for that right?

Hon. Mr. Chevrier: The Board of Transport Commissioners' counsel should give us that information.

The CHAIRMAN: We might have that information at our next meeting. I think that is a very interesting point. I think it is the crux of the whole thing.

Mr. Black: I think it would be a double safeguard to have the wishes of the urban communities themselves; and secondly, it would have to be ratified by the Board of Transport Commissioners.

The CHAIRMAN: We might give thought between now and the next meeting to a clearer definition of metropolitan area, to the contiguous phase of it, and to the size of the municipality, and get the opinion of the solicitor of the transport commissioners as to what they think about it. Now, unless some other member has more questions to raise about this bill, we might adjourn.

Mr. Adamson: I have not given any evidence to the committee yet as to the necessity of this bill for these smaller areas. I have a great deal of evidence here, but I think the committee is impressed enough with the fact that a very definite menace does exist to the health of the people who have to live in an area where 700 blasts of the whistle a night practically prevent any degree of sleep. I have letters here from the medical officer of health, the principal of the high school, and of course from the municipal officers, from several doctors, several clergymen, and the principal druggist in the district, showing the increase in the use of narcotics owing to the whistling. I think the committee and all the witnesses are convinced of the necessity of affording some relief to urban areas such as this.

Mr. McCulloch: Is that figure of 700 whistles an accurate figure or just a guess?

Mr. Adamson: It is an accurate figure; in fact, 712 is the precise number. The High School principal says:

In support of the protest against the disturbances caused by train whistling in the Islington-Kingsway area I am herewith stating the case for the pupils and teachers of Etobicoke High School.

As you know the school is situated on Montgomery Road about 250 yards north of the C.P.R. crossing. The trains running East whistle near the school for Islington Avenue, Montgomery Road and Dundas Street. Trains running west, while near the school building whistle for Montgomery Road and Islington Avenue.

This whistling naturally interrupts the concentration and recitation of the pupils and the presentation of work by the teachers. When the whistle blows teaching must stop. As two or three trains frequently pass during one 40-minute teaching period this means a loss of five or six minutes teaching time each period. Considering this as a loss of 10 per cent of time it is equivalent to a loss of one month in ten. That is, a year's work taken by the majority of schools in ten months must be done by Etobicoke High School pupils in nine months.

Anything that you do to stop the whistling of trains in this vicinity will indeed be appreciated by all connected with Etobicoke High School.

The CHAIRMAN: I believe the students would prefer to have the whistles and not work so hard.

Mr. ADAMSON: The druggist says:—

The whistling of trains is of concern to the pharmacist because, he realizes full well that there are many uses for the sleeping tablet and contribute very substantially to the reasons for their use. The research the hypodermic needle and that the screaming whistle of the train may departments of the large pharmaceutical houses are in constant search for medication less harmful and more effective to induce sleep to the light and troubled sleeper. If these trained scientists were satisfied that health would not be impaired and that the life span could not be shortened by the continued use of these unnatural sleep producers, there would be but little purpose in their constant endeavour to produce medication of a less dangerous nature. It is an accepted fact that natural sleep is far better than any form of induced sedation.

There are many factors which contribute to the cause of the use of sleeping potions and just where in the order of importance the train whistling factor fits I am not at all sure, but it is my personal belief that it is well toward the top of the list. I am thoroughly convinced that if the whistling of a train sufficiently stirs the human mind of the occupant of a humming motor car to cause him to stop his car, it must most certainly disturb the peaceful slumber of the tired worker tucked restfully in his quiet abode.

In conclusion, I wish to point out that large quantities of sleeping medicines are used in this Kingsway-Lambton area and while I have great respect for the pain-taking scientists who have made them available for the benefit of the needy, I most emphatically state that it is my firm conviction that all unnecessary causes for their use should definitely be eliminated. I believe that the whistling of trains is a cause and it is, at least, my opinion that anything which may cause the habitual use of this type of medication should receive your careful consideration.

The CHAIRMAN: Shall we adjourn? I do not want to shorten any presentation, Mr. Adamson.

Mr. ADAMSON: This is from the Rector of St. George's Church On-the-Hill. I shall read only the second paragraph:—

My own family suffers as much perhaps as any. In the six years we have lived in St. George's Rectory, neither my wife nor I have had a single night's unbroken rest because of the train whistles. Our child is also frequently disturbed, particularly in the early morning. When this situation is common to thousands of homes in a district like ours, it constitutes a social problem of no inconsiderable proportion.

That is from the Rector, Mr. Newby, of St. George's Church, Islington. The situation is a serious one. In fact, it is a very serious one for the people resident in that district because it constitutes a definite menace to their health.

Mr. CAMPBELL: I notice that here in Ottawa a good many of the streets do not cross the railways, but every once in a while there are crossings and wigwags. Why cannot the committee take the attitude that we will do away with the level crossings, have fewer crossings and have them either underground or overhead?

The CHAIRMAN: That is probably very desirable, but I think we would have to consider the matter of cost.

Mr. CAMPBELL: We have 250,000 unemployed right now in Canada.

Hon. Mr. CHEVRIER: If you had been in the House yesterday you would have heard me give some information concerning that very thing, that a study was being made by a committee of the Board of Transport Commissioners and Reconstruction, respecting dangerous crossings, but that they have not reported yet. These things are being studied as post-war projects. I am not in a position to say when the report will be handed down, but I can assure you that the subject is being given careful consideration.

Mr. CAMPBELL: We could get the co-operation of the railways, the municipalities, the provinces and the dominion government to put them in.

Mr. ADAMSON: The cost of a level crossing in the particular case I have in mind would amount to about \$300,000, which would put the thing, from a practical point of view, beyond realization. The crossing at Dundas was surveyed and it came to that figure.

The CHAIRMAN: We will adjourn now to meet again at the call of the chair.

The committee adjourned at 5 18 p.m. to meet again at the call of the chair.

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*James R. ... Canals and
Telegraph Lines, Standing Order
1946*

SESSION 1946
HOUSE OF COMMONS

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Government
Publications

STANDING COMMITTEE
ON

RAILWAYS, CANALS AND TELEGRAPH LINES

(SUBJECT-MATTER OF BILL No. 3,
AN ACT TO AMEND THE RAILWAY ACT)

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 2

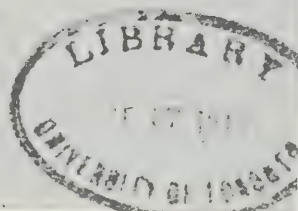
WEDNESDAY, JULY 10, 1946

WITNESSES:

Mr. A. R. Adamson, M.P., Sponsor of Bill No. 3;
Mr. G. Graydon, M.P.

Also statement by Hon. Mr. Chevrier, Minister of Transport.

OTTAWA
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REPORT TO THE HOUSE

THURSDAY, 11th July, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

SECOND REPORT

Complying with an order of the House of April 5, 1946, your Committee has given consideration to the subject-matter of Bill No. 3, An Act to amend the Railway Act, and has heard evidence from the Assistant Chief Commissioner of the Board of Transport Commissioners for Canada, from representatives of the railways, and from officials of various brotherhoods of railway employees.

Your Committee understands that the Board of Transport Commissioners will soon be engaged in a complete revision of the Railway Act. It is, therefore, recommended that the said board be asked to give consideration to a provision in an appropriate section of the Railway Act which would meet more adequately the situation sought to be met by the subject-matter of Bill No. 3, An Act to amend the Railway Act.

A copy of the minutes of proceedings and evidence is attached.

All of which is respectfully submitted.

L. O. BREITHAUPT,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, July 10, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines met at 4.00 p.m., the Chairman, Mr. Breithaupt, presided.

Members present: Messrs. Adamson, Aylesworth Black (*Cumberland*), Bonnier, Bourget, Breithaupt, Brooks, Campbell, Chevrier, Clouthier, Drope, Eudes, Hatfield, Hodgson, Irvine, Lesage, McCulloch (*Pictou*), McKay, Mullins, Mutch, Pearkes, Robinson (*Simcoe East*), Robinson (*Bruce*), Ross (*Souris*), Stephenson, White (*Hastings-Peterborough*), White (*Middlesex East*), Winters.

The Committee resumed consideration of the subject-matter of Bill No. 3, An Act to amend the Railway Act.

The Minister of Transport stated that the Board of Transport Commissioners is reviewing the Railway Act and might, therefore, be asked to suggest an amendment thereto that would serve the desired purpose.

Mr. Adamson, the sponsor, was heard in recapitulation of statements made at previous meetings of the Committee.

By permission, Mr. Graydon, M.P., addressed the Committee in support of the subject-matter of Bill No. 3.

Mr. Adamson moved that the following amendments be made, and that, as so amended, the Committee report favourably on the subject-matter, viz:—

Line 9. Delete "or near such" and substitute therefor "a".

Line 10. Delete "or town" and substitute therefor "whose population is greater than 100,000."

Line 20. Delete "or near such" and substitute therefor "a".

Line 21. Delete "or town" and substitute therefor "whose population is greater than 100,000".

And the question being put on the said motion, it was resolved in the negative, Yeas 12, Nays 14.

Mr. Chevrier moved that the Board of Transport be asked to give consideration to an amendment to an appropriate section of the Railway Act which would meet more adequately the situation sought to be met by Bill No. 3, An Act to amend the Railway Act.

And the question being put, it was resolved in the affirmative.

Ordered, To report accordingly.

The Committee adjourned to meet to-morrow, July 11, at 4.00 p.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

July 10, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 4.00 o'clock p.m. The Chairman Mr. Louis O. Breithaupt, presided.

The CHAIRMAN: Gentlemen, if you will kindly come to order; we have more than a quorum, a very good attendance to-day. The procedure will be, with your consent, that the Minister of Transport will make a statement in connection with the proposed bill.

Hon. Mr. CHEVRIER: Mr. Chairman and gentlemen, the last time we met here there was some suggestion of getting more evidence about the number of level crossings that might be affected if the suggested amendment to 308 were passed, and about certain other installations, evidence which the committee thought would be available, or might be made available.

I communicated with the chairman of the Board of Transport Commissioners, and he told me that the desired information was not available in the hands of the Board of Transport Commissioners, and that it would take some time to get it from the railways. He felt that it would be difficult to get it immediately.

Since the last hearing, I have given some thought to this bill. Of course I am in the hands of the committee, but I wish to say this: that I am of the same view now that I was when the bill was introduced in the House, so far as the position of the people in the Toronto area are concerned; but having looked at the bill, I feel that it might be a mistake to pass it as such. My reason for saying that is this: at the last hearing I suggested a limitation of 100,000, so far as population goes. Since then, members have come to me and suggested that that figure be cut to 50,000, and still again to 25,000. If that were ever done, then there would be little or no protection under section 308. In other words, we would be doing negatively what we ought to be doing positively.

What we are attempting to do here is to give assistance to a community that is unquestionably suffering; but by doing that we are going to open wide the door to other communities which should not have this power, the right to pass such a bill. So, I say, therefore, that having given it some consideration, I have come to that conclusion. The Board of Transport Commissioners are now considering a revision—that may not be the correct word—of the Railway Act. They have set up a committee to prepare amendments to the Railway Act. Those amendments will be numerous. I am prepared to ask the board, in its survey of the Railway Act, to consider an amendment of the Act which might meet the Toronto situation.

Perhaps that could be done in this way. It might be possible, under some section of the Act, to give the board authority to pass regulations, or a regulation, covering a situation in a particular community such as Toronto, Hamilton, Windsor, London, and the larger centres. I refer, of course, only to the province of Ontario; but it would apply to Montreal, Quebec and other large centres across Canada.

Mr. IRVINE: Are we still discussing the Whistling bill?

The CHAIRMAN: It is bill No. 3, yes. I am sorry, I thought that was understood.

Hon. Mr. CHEVRIER: While I cannot give this committee any undertaking that an amendment will be introduced, I can give the committee my assurance that I will ask the Board of Transport Commissioners to remedy the situation for which Mr. Adamson seeks relief. That is all I have to say. The matter is in your hands.

Mr. ADAMSON: Might I, with your permission, just recapitulate what has gone on before. We have had, as you will see in the evidence, a number of witnesses before this committee and each one of the witnesses, I think, without exception, approved of the principle of the bill. They did raise two objections which I think will be met by a suggestion I have here. With your permission, Mr. Chairman, I would just like to read the evidence given by the witnesses. Mr. Hugh Wardrope—in case the committee has not read that evidence—said:—

The Chairman, the board I may say has in its long experience every sympathy with and understanding of the affliction that so many people now suffer through the statutory blowing of whistles at crossings outside of cities or towns where no bylaws have been passed prohibiting the blowing of these whistles. The board, if it is at all possible, will be glad to see some measure of relief for a lot of these people.

Hon. Mr. CHEVRIER: Your statement was that the witnesses approved the bill. All they said was that they had no objection to the bill and would like to meet the difficult position in which you find yourself. That is a different thing from approving the bill. That is not what Mr. Wardrope says there.

Mr. ADAMSON: He said that he would be glad to see some measure of relief.

Hon. Mr. CHEVRIER: And so would I.

Mr. ADAMSON: And that is just what the bill is really trying to do. He then says—I had questioned him as follows:—

Q. Would it overcome your first objection if we altered the amendment and used the word "contiguous" only? That would make it specific.

Then Mr. Wardrope said:—

A. Yes, that would facilitate interpretation. I would not like it to be understood that the board is objecting to the principle in this at all. The board is in full sympathy if something can be done that is reasonably safe to afford or extend the relief now available in the Act to the more densely populated sections. "Contiguous", of course, is easier to interpret. I do not think there would be any difficulty there.

Mr. IRVINE: What is your idea in asking to take away the whistle with nothing in its place to warn the public?

Mr. ADAMSON: As I have explained to the committee, relief is sought only for a few specific crossings. The evidence shows that those crossings are protected by wigwags or by gates, and that it is the wigwag or the gate, and not the whistle, that protects the public. That is according to the evidence of witnesses who spent long hours observing the behaviour pattern of traffic at those crossings for which I am asking relief.

Then, Mr. Best, the secretary of the Joint Legislative Committee of the Railway Transportation Brotherhood, Ottawa, said:—

We are not opposing the bill. It is just the suggestion as contained in that paragraph that if you take away the audible signals, then there is a responsibility, and however the cost of it may be apportioned by the

board, who have jurisdiction to administer, there must be some additional protection, in our opinion, to take the place of the sounding of the whistle and the ringing of the bell.

That we are willing to do by having wigwags or gates installed at the crossings which we want to have protected. Then, Mr. Chase, who is the Dominion legislative representative of the Brotherhood of Locomotive Engineers, Montreal, said this:—

Have these crossings properly protected, and as far as we are concerned it will be fine and dandy. We will be happy to quit blowing the whistle.

Then Mr. McIvor asked him:—

Mr. McIVOR: Therefore the crews are not in favour of this amendment?

Mr. CHASE: We are not opposed to it if you make arrangements to have crossings properly protected. That is the first thing.

Mr. Ives and Mr. Phillips both said they had nothing further to add to what had been said before. Then, Mr. K. D. M. Spence, solicitor of the Canadian Pacific Railway, said:—

The only difficulty we foresee is that cases farther and farther away from cities and towns will be put up to the Board of Transport Commissioners and there may be considerable confusion as to which community is entitled to it.

The CHAIRMAN: The difficulty would be to define the words: "metropolitan area", and what is "contiguous".

The WITNESS: Yes, and what is "near". That is really the essence of the difficulty that we foresee.

Then, further on, the same witness said:—

The WITNESS: I would say that if the words "or near" were struck out, we would have very little further objections.

Then, Mr. Macdougall, assistant solicitor of the Canadian National Railways, had this to say:—

I should also like to make it clear that the Canadian National Railways do not object to this amendment being made or to this bill being passed, but they do wish that the views of their operating officers as to the effect of such an amendment be put before you.

And he again said, the same witness:—

I think personally that that could be done to make it more satisfactory and to ensure that it is going to be used simply for the purpose for which it was originally conceived. That is the best policy that could be adopted.

Then, the minister said:—

Hon. Mr. CHEVRIER: If I were asked for an additional opinion, I would say that there certainly ought to be some limitation added to this bill in addition to that of removing the words "in or near". I think a reference to population should certainly go in there; because if you do not put in a limitation with reference to population, you are going to enable rural municipalities adjacent to cities all along the line to make applications.

That, in essence, was what you said to-day, Mr. Chevrier. Now, Mr. Chairman and gentlemen, I have endeavoured to meet the objections raised to this bill by the various witnesses and to meet the objections of some members of the

committee. I have endeavoured first of all, definitely, to strike out the words "or near", which confine it to townships or villages contiguous—which according to the dictionary means, actually touching—these large cities; and also to add a population limitation. The amendment in paragraph two of section 308 in the bill, would now read:—

Exception—Para. (2) Where a municipal by-law of a city or town, or of a township or village situated contiguous to a city whose population is greater than 100,000 prohibits such sounding of the whistle or such ringing of the bell in respect of any such crossing or crossings within the limits of such city or town, or township or village, such by-law shall, if approved by an order of the Board, to the extent of such prohibition relieve the company and its employees from the duty imposed by this section.

I will now read paragraph (3).

Exception—Para (3) Where a municipal by-law of a city or town, or of a township or village situated contiguous to a city whose population is greater than 100,000 prohibits such sounding of the whistle or such ringing of the bell in respect of any such crossing or crossings within the limits of such city or town, or township or village, such by-law, if approved by order of the Board, shall, to the extent of such prohibition, relieve the company from any penalty or liability under this section.

Now, Mr. Chairman, there has been some discussion about the number of places which would be affected, if we limited it to 100,000 people. The cities in Canada whose population, according to the Canada Year Book, by census, was over 100,000, were Montreal, Toronto, Vancouver, Winnipeg, Hamilton, Ottawa, Quebec, and Windsor. Only eight places. And I submit, Mr. Chairman, and gentlemen of the committee, that very definitely limits the scope of the bill. It is my submission now that by imposing that limitation, the objections raised by the witnesses can be and are overcome.

With that, and with the words "or near" deleted, I contend, gentlemen, that all the objections raised by the witnesses are overcome; and I would ask the committee, most seriously, to consider recommending the bill as it is now amended.

Gentlemen, you have very little idea of the real hardship suffered by people living in an area such as I have spoken of. There are not many such places in Canada; and it is a fact that this one area, within a distance of a little over a mile, finds its inhabitants, the residents of the area, subjected to over 700 whistle blasts every night. Now, as one of the witnesses mentioned, the steam pressure that is now being used by modern locomotives is up around 300 pounds. Many of the whistles were designed for working pressures of from 100 to 150 pounds, and they really create a very definite physical menace to the well being of a community.

I realize that it is, perhaps, considered to be a small thing, a bill concerning whistling; but if you gentlemen lived in this particular community, you would realize what actually happens during the course of any one day.

I have a lot of evidence from members of the township council, doctors, school teachers, ministers and others. I have not called them because I thought the evidence was sufficiently clear and sufficiently definite to recommend this bill, if the objections of the witnesses and of the minister could be overcome. And I submit to you, Mr. Chairman and gentlemen, that with the amendments as they now read the objections are overcome and I would ask the committee to consider recommending the bill in its amended form to the House.

Mr. McKAY: I would like to ask Mr. Adamson his opinion as to why his recommendation with respect to the elimination of the whistling at crossings should apply only to communities of the size of the one for which he is speaking,

and at the same time I would like to ask the minister why limitation of places of 100,000 population or over should be made. For the information of the committee I might say that I visited the city of Saint John over the week-end, and the population of Saint John is certainly not much over ten thousand. We were told that there were 700 whistle blows a night at the point about which Mr. Adamson was speaking; if there was one, there were at least a thousand at Saint John because, as most of you know, two or three railways run through there. It seems to me that if we are going to go so far as to protect cities, or people living in the cities or near cities of a population of 100,000 or more, we should extend the same privilege to small communities of the type of Saint John. There is a lot to be said in favour of the elimination of unnecessary whistle blowing by trains, and in support of the convenience of the public, why cannot it be done with adequate protection to all concerned at any of these points?

Mr. ADAMSON: I would point out to my honourable friend that Saint John is a town which is presently protected under the Act.

Mr. McKAY: You say it is now protected?

Mr. ADAMSON: The Railway Act now reads, any municipality which is a city or town, irrespective of size, can pass a by-law to prohibit whistling, and the people of Saint John—I haven't got the population here, but I imagine it is a little over ten thousand—if the municipal council of the town or city of Saint John pass a by-law and request the Board of Transport Commissioners to abolish whistling within the confines of their municipality, they can, as a town, have whistling wiped out.

Mr. McKAY: Do I understand you to say that they can do that?

Mr. ADAMSON: Any city or town can do that, but what I am appealing for is municipalities which are outside the large cities; but which are really a part of the city, but because of the wording of the Act they haven't got the power of a city or of a town. This area about which I have been speaking has a population of some eleven thousand people, actually larger than many of the towns or cities that already have these whistling prohibitions in force; but because it is not a city or town but rather a township it cannot apply under the Act as it now reads. I am merely asking that it be amended so that a situation like this may be remedied and relieved. Saint John, or any city at the present time can apply to the railway board, I mean the Board of Railway Commissioners, they will send an inspector to satisfy themselves that the crossings are reasonably safe and if approved will dispense with whistle blowing.

There is one thing more, gentlemen of the committee, which I thought perhaps I should explain. I have explained it before, but I think I should explain it again; when a municipality passes a by-law—and by that I mean a city or town—the mere passing of a by-law does not mean that whistle blowing is dispensed with. What happens then is that the Board of Transport Commissioners send an inspector into the area and he inspects each and every crossing, and if he is not satisfied about the safety measures in respect to each one of these crossings having been met he does not recommend that the by-law shall be approved. Safety measures still remain in the hands of the Board of Transport Commissioners.

Mr. MURPHY: What about the small towns?

Hon. Mr. CHEVRIER: That is the point which Mr. McKay brings up, that is exactly the problem with which I was faced the other day. It seems to me that there has to be some limit, and it also seems to me that limiting it to places with a population of 100,000 or more was about as far as we could go. If we were to extend it in the manner which has been suggested here then it would seem to me that there was practically no use for section 308 in the Act at all. That is the thing of which I was fearful when I came here this afternoon.

Mr. IRVINE: It is a funny thing to be afraid of, providing the safeguards for whistling are proper safeguards for the public, if they are not, I would say the danger is greater in cities having a population of 100,000 or over than it would be in municipalities.

Hon. Mr. CHEVRIER: What we are referring to is protective measures for the public as they presently exist under section 308. If, however, the Board of Transport Commissioners were to order safety measures at each crossing across Canada it would cost a tremendous amount of money. There are some 35,000 or 36,000 crossings, and it would be impossible to have wigwags, or flashlights, or other types of protective measures at every crossing.

Mr. IRVINE: I see your point now.

Mr. LESAGE: As it stands now the municipalities have to pass a by-law, that has to be approved by the Board of Transport Commissioners, and when it is approved by the Board of Commissioners as an adequate safety measure, then the municipality has to pay for it.

Mr. STEPHENSON: Mr. Chairman, I would like to say first of all that I am in favour of the bill; and, secondly, that Mr. McKay has brought up for discussion what I think is a very important point. If I may, Mr. Chairman, I would like to give you a case off the record.

(Discussion proceeded off the record).

I think it is a very good idea to include these small places.

Mr. ROBINSON (*Bruce*): Mr. Chairman, I would like to speak in support of Mr. Adamson's bill and the amendments which he has proposed to it. First of all let me say that I think everyone agrees that the witnesses said that if the word "near" were taken out of the bill it would make it all right. As you all know, there are many municipalities which have grown to considerable size adjacent to or adjoining cities. They are near, yet not part of them, and because of the fact that they are not constituted as municipalities—a town or a city—they have no right to apply under the bill as it now exists to the Board of Transport Commissioners to have whistle blowing dispensed with, and that notwithstanding the fact that towns with as few as 4,000 people may pass a by-law through their council and get that form of relief. Even when you have a residential area adjoining a city, and the population of that residential area reaches let us say 20,000, you still have not the right to apply for relief from this nuisance. I ask you, is that right; is it fair? Let me emphasize that point. As I say, a town of 5,000 can apply, yet a community of 20,000 cannot apply; so I think it is only fair to add that the bill should be extended to include such communities.

Now, if I may just supplement the material on the record, Mr. Chairman. It has been said that before these towns can have this relief they must install signals of a type satisfactory to and approved by the Board of Transport Commissioners. Here is something I would like to point out, if I may, for the benefit of the committee; and it is a recommendation I think which might very well be made to the House of Commons later on, that this should be done. I hold in my hand here a copy of the return showing the number of accidents that have happened all over this country during the last three or four years at railway crossings, both protected and unprotected. This return to me is very interesting. The type of signals that have been installed here are classified as being flashlight and bell. Over a four year period there have been only six accidents that have happened on crossings of that type. There was only one death and there have only been ten injuries. And now, with respect to the unprotected crossings we have a very considerable figure: 1,101 accidents: 415 people killed and 1,150 people injured. From that I think we may conclude that where a community is willing to install a proper protective signalling device and asks for the

elimination of whistle blowing it appears that the hazard is pretty well taken care of. So that if this community about which Mr. Adamson speaks, or any other community of that size, is going to install signal equipment, there would appear to be very little danger. Then, the figures go on to show that at crossings where there were gates installed there were 28 accidents, as against 6 where the bell and flashlights were installed. Where there is a watchman on duty there were 21 accidents, 4 killed and 29 injured.

Mr. BROOKS: Could you give us the total number of accidents?

Mr. ROBINSON (*Bruce*): The total is 1,883.

Mr. BROOKS: And what is the period covered by the return?

Mr. ROBINSON (*Bruce*): The return covers the period of the four years from 1941 to 1944. Where gates were installed, as I said, there were 28 accidents.

Mr. BROOKS: How many gates are there?

The WITNESS: I believe that table is available in printed form in the records of the house.

Mr. ROBINSON (*Bruce*): The return shows that where you had a flashlight installed, or a flashlight and bell as it is here, there were only six accidents; with the wigwag there were 167; where there were bells installed, 40; where there was a watchman on duty all the time, 30; where there was no protection at all, 1,101; making a total of 1,883 accidents. It also shows that the number of fatal accidents at unprotected crossings was 415. So, Mr. Chairman, I would like to support Mr. Adamson in this bill as it is now amended.

The CHAIRMAN: Gentlemen, Mr. Graydon has asked that he be heard in this matter. He is not a member of this committee but he has asked the privilege of being heard. I assume the committee is favourable to having Mr. Graydon address us, as briefly as possible.

Some hon. MEMBERS: Agreed.

Mr. GRAYDON: Thank you, Mr. Chairman, Mr. Minister and gentlemen, for giving me the privilege of saying a word. I will endeavour to be as brief and concise as possible in presenting my case which is a slightly different case to that which has been mentioned in your evidence before. At the south end of the constituency of Peel is a suburban township and village not contiguous to the city of Toronto but contiguous to the municipality which Mr. Adamson represents in the house. In his constituency and in my own, perhaps more than in almost any other part of the dominion, there has been a great uprising of public opinion which has been manifested in many ways with respect to this whistling nuisance. In the past few months I have received over four or five hundred signed protests of the type I hold here in my hand, coupons you might call them, from the citizens in my part of the country which indicates pretty largely the interest they are taking in this whistling nuisance. Now, on this particular point I was very interested in hearing some of the members here today speak of the protection afforded towns. Briefly stated, towns now have the right to pass a by-law. The difficulty is that a township such as Toronto township or the village of Port Credit of which I speak, are neither towns nor cities, and under the present Act have not that right; and still through that area from Toronto to Hamilton, which is strictly speaking a suburban area although not contiguous to the city of Toronto or the city of Hamilton, we have passing through an average of 134 through trains a day, and the crossings are very close. This means an almost continuous whistle nuisance from the time they reach one end of my county until they leave the other. The result is that the nuisance has become so great that public opinion has been aroused on the point, as I think it has not been aroused in any other part of Canada, except that part represented by Mr. Adamson.

I would like if I may to take a moment to indicate a report of the Board of Transport Commissioners in relation to this particular point. This report was made in September last and directed to me and in part reads as follows:—

The eastern part of the township, from mileage 9·82 to and including the village of Port Credit, mileage 12·80, is a fairly well built up suburban area and there are consequently many homes located in this territory, the majority lying between the railway and lake. The population of that portion of Toronto township in close proximity to the railway and affected by train whistles, is said to be approximately 7,500. Included in this figure is the population of the village of Port Credit, namely, 2,250.

The village of Port Credit extends in an east and west line for 1·9 miles and lies wholly between the lake and railway which forms its south and north boundaries, varying in depth from $\frac{1}{4}$ to $\frac{3}{4}$ of a mile. Due to these physical characteristics, practically the entire population of the village is well within the sound of locomotive whistles.

In that portion of Toronto township through which the Oakville subdivision of the C.N.R. passes, there are twelve public crossings as shown hereunder:—

<i>Mileage</i>	<i>Name of Crossing</i>	<i>Protection</i>
10·19	Dixie Highway	2 wigwags and 2 bells
10·58	Haig Boulevard	Protection under construction
10·84	Ogden Avenue	Unprotected
11·02	Alexander Avenue	Unprotected
11·46	Cawthra Road	Flashing light
12·01	Shaw Crescent	Unprotected
12·73	Hurontario Street	Automatic gates, 2 wigwags and 2 bells
13·09	Stavebank Road	2 wigwags and 2 bells
15·04	Lorne Park Road	Gates
16·08	Clarksons Road	Gates
16·62	County highway	Unprotected
17·92	Town line road	Unprotected

NOTE.—Haig Boulevard materials ordered and part on ground for installation of flashing lights.

Due to the close proximity of these crossings to one another, particularly in the east end of the township where the bulk of population is concentrated, the sounding of locomotive whistle signal 14L must, of necessity, closely follow the preceding signal. With high speed trains, running some 70 miles per hour, the sounding of this particular signal must seem to be almost continuous to the layman.

The complainants on hand claimed that with the number of trains operating over the Oakville subdivision the sounding of locomotive whistles has reached such a stage that it is seriously interfering with the health and morale of the population. It was stated that these whistles not only interfere with their sleep but also their educational, business, church and social activities.

Mr. W. K. Rogers, Assistant Superintendent, C.N.R., stated that train movements per 24 hours were as high as 134. On a basis of four blasts for each crossing, of which there are two in the village of Port Credit, this would total 1,072 per day or 53 per hour.

It must appear fairly obvious from the above, that the complaints on file are well founded. It was pointed out to them, that theirs was a problem that would be difficult to solve inasmuch as the railways were but carrying out the requirements of the law, which law makes no provision for a township or a village taking advantage of section 308 of the Railway Act.

May I, in conclusion, say this, Mr. Chairman: that there can be no harm to the public safety by this Bill that I can see. I was very interested in what Mr. Irvine said. We think that public safety—because public safety is the paramount concern—must be taken seriously into consideration; but you have two definite protections if you accept the proposed changes the the Railway Act. I do not want my representations to be made an excuse or even a reason for interfering in any way with the amendments which my honourable friend from West York considers to be a very urgent problem; but I would say that you have two protections if this Bill goes through as it is. First of all, your municipality—take Toronto township or Port Credit municipalities—they won't pass by-laws unless they are satisfied that the safety of the people within those municipalities is properly protected. That is the first thing.

In addition, the by-law, of necessity, has to come before the Board of Transport Commissioners who, following proper inspection with regard to safety devices and other things, will take the necessary steps to protect those crossings. So it seems to me, that passing the bill as it presently stands—and I say again, with much deference to my honourable friend who has done such great work in connection with this matter—no harm can possibly come to the safety of our citizens, with those two special safeguards existing.

I would like to plead with the committee, if I may, on behalf of those two municipalities which are suffering today, that those two municipalities be given the right, if they so decide in their municipal councils, to pass a by-law of some kind, just as if they were technically referred to as towns or cities. It seems to me so foolish and ridiculous that two big municipalities of that kind and incidentally having larger populations than many towns should, by reason of their not being incorporated as towns, should be denied the right to pass a by-law under the Railway Act. For that reason we feel that relief under such a measure as this is overdue and ought to be taken seriously by the committee and by the ministry.

I would add that the only difficulty with the suggestion of the Minister, so far as I see it, and I make this statement in all fairness, inasmuch as the matter has existed for months and years—these municipalities have waited for action and they are calling for action through their members and through other sources in a way which I do not think we can disregard much longer. By the time the Railway Act is later amended or new regulations are put forward, I am afraid that all of these nuisances, and these excessive whistlings will have continued to the detriment of the morale, the health, the comfort, and the contentment of the municipalities that I think are entitled to some relief.

HON. MR. CHEVRIER: There can be no disagreement, I think, with the first part of what Mr. Graydon has said. That is quite clear. But, with the second part, I believe there is some disagreement. That is, with reference to that part of his remarks with which I have some doubt. Section, 308, is the section which has been set up by parliament to protect the public against these accidents. It is by virtue of this section that an action is taken by a plaintiff who is hurt, or by his dependents when he is killed, against the railway; and that section has already been cut down in this subsection 2. What this bill seems to do is to cut it down still further by limiting it as Mr. Adamson has explained a moment ago.

Mr. Graydon says that he thinks no harm can be done to anybody; but I would say to the committee that if there is a possibility of harm, because of the extension of this Act, then this committee should be very careful how it extends these powers in taking away from the public a right which they already have.

Mr. Graydon refers to the fact that these towns are not incorporated. It is unfortunate that they are not, because incorporation gives certain rights and obligations. If they were incorporated, they would come clearly under subsection 2 of 308. My suggestion was not to pass these too lightly.

The Board of Transport Commissioners have set up a committee to revise the Railway Act of Canada; that committee is working, and I know it is their intention to bring in recommendations to that effect as soon as possible. Whether that will be done in time for the next session, I do not know. I do think that this problem can be met in another way. There is unquestionably a situation existing in the city of Toronto which I think should be relieved. My only doubt has been whether this is the way to meet it.

The suggestion offered is that the Board of Transport Commissioners, when it receives a complaint from a municipality adjacent to a large centre of population, be given power to pass a regulation authorizing such municipalities to pass a by-law to prohibit whistling, by relieving the railways of the necessity or the liability of whistling when they go through the said municipalities. That is the suggestion that I made to the committee. I am not advocating anything; I am in the hands of the committee. I am only anxious to see that this section is not so cut down that it will take away from the public its rights to the extent that there will be little or none left to them.

Mr. McKay raised the point a little while ago, that the population figure would soon be cut down to 25,000, then there would be no use to have section 308 at all.

Mr. ROBINSON (*Simcoe East*): Mr. Graydon's remarks served to emphasize an aspect of this bill that has given me some concern from the first. He mentioned a municipality which is not contiguous, as I understand it, to a metropolitan area such as Mr. Adamson has spoken of. It seems to me that if we pass this particular type of legislation, or approve of this particular type of legislation, we are throwing open the gates to similar applications from other municipalities. In other words, we are cutting down, very materially, the effect of section 308 as it now stands, for the protection of the public. I think there is some danger in that respect.

There is one other point which I would like to mention, which has given me some concern. Mr. Adamson, in his very able presentation of this bill, has referred to one particular community adjacent to the city of Toronto. Now, in previous meetings of this committee, I attempted to ascertain from the witnesses how many areas in Canada would be similarly affected. I have this point in mind. I think that every member of this committee is heartily sympathetic with Mr. Adamson's problem, but I think some of us feel that it is dangerous to pass general legislation to meet simply one particular situation.

I have tried to ascertain how many areas would be similarly affected, but I have not yet got that information. Mr. Adamson has spoken to-day about limiting the bills to cities having a population of more than 100,000. We have learned that there would be only eight or ten cities affected, that is, areas contiguous to eight or ten cities affected. But we do not yet have this information: whether there are in the vicinity of those cities situations similar to the Islington situation which Mr. Adamson has already brought to our attention. In other words, I think we need more study. We should have the information as to whether there are areas, contiguous to the cities which Mr. Adamson has mentioned in his previous remarks, that are in a similar situation to that of Islington, and whether this legislation would have some general affect. I therefore think some further consideration should be given to the matter and that this committee should have further information.

Mr. ADAMSON: In answering your remarks, the bill as it reads and stands now, even with my amendment, only includes one railway line in this area. There are a great number of railway lines running out of the city of Toronto and out of most of our metropolitan areas, but relief is only asked, and would only be asked, by this municipality for those five crossings that are definitely within the built-up urban community. There is a railway running across the

northern part of the township, and there is a railway running across the southern part of the township; but no relief is being asked in connection with the railway running across the northern part of the township. The railway line in the southern part runs through an industrial area, and I have received no complaints about that. What we are asking for is a specific and limited bill to cover situations such as this. I have stressed the fact that it is a very limited bill we are asking for. We are not asking for a blanket bill at all, because, if the municipality had this power now, they would make a request to the Board of Transport Commissioners in connection with those five crossings and no more.

If they put in a blanket order, it is unlikely that municipal officers, who are normally intelligent people—if they put in a blanket order, the Board of Transport Commissioners—all they would have to do is to say: "Gentlemen, we cannot approve of the northern railway because there is no need for this relief in that area."

There is another aspect that has not been brought to the attention of the committee, that is, that actually this bill is a safety measure because, if your municipality applies to the Board of Transport Commissioners, the board will say: "All right, we will grant you this relief, provided you put in safety measures." I am certain, speaking about this municipality and about other municipalities in north York, there is one particularly up there, where the municipality would install the safety features. The Board of Transport Commissioners and all the witnesses that we have had before this committee have said: "What an advantageous thing that would be to have more safety measures." Passing or recommending this bill to the House—which is all I ask at the moment—would aid greatly in installing more safety measures.

Hon. Mr. CHEVRIER: Have you any objection to the suggestion I made, Mr. Adamson? It does not hurt your position in any way to postpone it. That is all.

Mr. ADAMSON: Well, basically, I have an objection in this way, sir: I feel that we have had enough evidence before this committee to enable it to report favourably on the principle of this bill. That is all we are being asked to do. We have had enough evidence before this committee to enable it to make a decision. I know the Board of Transport Commissioners; I have been down there and had many an argument with them and taken them out and shown them the crossings; and they all admitted that relief is necessary. But they all said: that is up to your committee, that is up to parliament; we cannot do anything. We are stymied because of parliament. We are up against it, because we have to get an amendment to the Railway Act. That has happened to me for years.

I will ask this committee to go on record in favour of this bill because, if we do not, the Board of Transport Commissioners would say: "We would like to have an expression of opinion from parliament; so, if we failed to approve this bill, that would definitely impose another barrier to get over with the Board of Transport Commissioners."

Hon. Mr. CHEVRIER: By adopting this suggestion, the committee declares itself in favour of the principle. The Board says it is in favour and is sympathetic with the position, although there is a doubt whether this is the way in which to do it.

Mr. ADAMSON: It is a matter of urgency.

Hon. Mr. CHEVRIER: The Railway Act has not been amended in some cases for fifty years.

Mr. ADAMSON: I have been trying to get this done for four years and I feel that waiting for another year or two is just two more years of discomfort to the people in this district. Gentlemen, there is a basic rule of government, namely,

the greatest good for the greatest number. I have yet to see any evidence adduced to the committee that dispensing with whistles in this particular instance would increase accidents; but I have all kinds of evidence, and the committee has heard all kinds of evidence from every witness we have had, that a very unhealthy condition does exist. It is like a situation where you have a mosquito swamp, and the mosquitoes are enemies to the health of the people. You have a gang of men going in there to clean up the swamp and somebody makes an objection to sending in the gang of men because somebody might fall into the swamp and get drowned. Now that is the type of objection that I feel has been raised before the committee.

We have evidence that it is not the whistle which is the safety measure in this area. We have abundant evidence that a very great deal of discomfort is now suffered. For years I have had arguments about this with the Board of Transport Commissioners and for years the Board has been vacillating and putting things off. I suggest, gentlemen, that there is very great urgency now that this bill should receive favourable notice from this committee.

Mr. CAMPBELL: Is this a slum area that you are talking about?

Mr. ADAMSON: No, it is a workmen's area. There is a wartime housing development going on, and many veterans are being housed there now. It is an area that is growing very very rapidly. I would say it was a middle class area, typically suburban.

Mr. LESAGE: I would ask the minister of his opinion about the wording of section 2, subsection 3: "If approved by order of the board."

Does not that give a discretion to the board?

Hon. Mr. CHEVRIER: It gives the board a discretion, unquestionably.

Mr. LESAGE: Is it sufficient with what you had in mind?

Hon. Mr. CHEVRIER: As I expressed myself at the outset, I have doubts about it because it cuts down the statutory rights contained in section 308.

Mr. LESAGE: Your opinion is that even with this amendment it would be too large?

Hon. Mr. CHEVRIER: It would leave the door open.

Mr. LESAGE: And there would be no check.

Hon. Mr. CHEVRIER: There would be some check.

Mr. LESAGE: But not a sufficient check.

Mr. AYLESWORTH: What effect would there be in passing this bill, in view of the fact that an amendment to the Railway Act will be coming forward?

Hon. Mr. CHEVRIER: It would leave the door open to other municipalities to pass by-laws in the meantime, municipalities in rural areas, for instance.

Mr. AYLESWORTH: I take it that this report would be in very soon, perhaps not at the next session, but probably at the following session. There could not be very many requests made during that short time?

Hon. Mr. CHEVRIER: I cannot say when the report would be in; I would be hopeful that it would be in soon, but I could give no undertaking to the committee as to how soon it would be in. Meanwhile, if this bill were adopted, it would constitute a liability.

Mr. AYLESWORTH: Yes, until such time as the whole thing is amended.

Hon. Mr. CHEVRIER: Yes.

Mr. AYLESWORTH: But there should be no difficulty arising out of putting this bill into force, pending the amendment coming forward.

Hon. Mr. CHEVRIER: That is what the committee has to decide.

Mr. ADAMSON: Surely the English language, if it means anything, means that the board has complete power. The words are these:—

Such by-laws shall, if approved by an order of the board, to the extent of such prohibition relieve the company and its employees from the duty imposed by this section.

I do not see how it could be made any more clear. If the English language means anything, I think that wording makes it very clear. The effect of it is, as I said, that the by-law must be approved by the Board. Surely that gives the Board all the safeguards it needs to ensure protection. Surely, the English language does not mean anything if this does not mean that the Board has complete and absolute control over this matter. I mean, Mr. Chairman, let us not spend our time in useless argument. There is the wording of the Act itself. The Board has complete control. If a municipality passes a by-law of which the Board does not approve, the Board has control; it says, no. Where would there be any danger with that absolute and complete authority invested in the Board? Then there is the further point, that with this restriction it involves only eight municipalities in all of Canada with which the Board may have to deal.

Mr. LESAGE: And could we not put a limitation on the discretion of the Board, something that would ensure that if in the opinion of the Board itself such changes as are asked for are essential to the welfare of the population and are in the interests of the township, village or community affected?

Hon. Mr. CHEVRIER: You already have enough limitations in the bill as it is now. I do not know that I would add any more to them.

Mr. CAMPBELL: Could anyone tell me how many towns or cities are making use of the present Act with regard to the stopping of whistle blowing?

Hon. Mr. CHEVRIER: That is information that would have to be obtained from the railways, and that is the same information that I was hoping we would be able to get for this meeting, but it will take some time for us to get it.

Mr. CAMPBELL: There are some?

Hon. Mr. CHEVRIER: Oh, yes.

Mr. ADAMSON: The huge majority of them.

The CHAIRMAN: Gentlemen, we have had a pretty full discussion on this thing. We apparently have no more witnesses. Are there any more gentlemen who would care to speak now?

Mr. McCULLOCH: I would move that the suggestion advanced by the Minister (Hon. Mr. Chevrier) be adopted, and that the committee report accordingly.

Hon. Mr. CHEVRIER: I think the committee will have to dispose of the bill first.

Mr. ADAMSON: As it is the bill I move that the subject matter—I think that is the way our terms of reference reads—I will move, seconded by Mr. Stephenson, that the subject matter of the bill as amended be approved by this committee.

The CHAIRMAN: It has not been amended yet, Mr. Adamson.

Mr. ADAMSON: Then I will move the amendment which I read, both amendments.

Mr. IRVINE: Mr. Chairman, is this bill before the committee? Would it not be necessary for us to go over it clause by clause?

The CHAIRMAN: No, it is not. Our reference is the subject matter of bill No. 3.

Hon. Mr. CHEVRIER: The bill as I understand it would go back to the committee of the whole and be discussed there clause by clause if it is reported favourably by this committee to the House.

Mr. IRVINE: Oh, I see. That makes a difference.

Mr. ADAMSON: I made these amendments to overcome difficulties raised by witnesses, and as I understand it we have the right in reporting that subject matter to include amendments.

Mr. IRVINE: That means the bill would go back to the committee of the whole?

Mr. ADAMSON: Yes, the bill goes back to the committee of the whole.

Hon. Mr. CHEVRIER: I think, Mr. Adamson, if you will move the amendments you have suggested here you will have to start all over again. I have been informed that it is just the subject matter of the bill that has been referred to the committee.

Mr. Mutch: In that case the procedure would be to refer it back to the committee of the whole, and I suggest it would be in order to move an amendment which would make the bill more acceptable in the committee of the whole.

Hon. Mr. CHEVRIER: Yes.

Mr. Mutch: Then, you should move, Mr. Adamson, that the amendment be adopted. In the committee of the whole you can make your amendment and make your bill acceptable to the House.

The CHAIRMAN: Mr. Dun, who has experience in these matters in these various committees might be able to put us straight on the matter. I would ask him to give us his interpretation.

Mr. DUN: Mr. Chairman and gentlemen, it would appear that only the subject matter of this bill has been referred to this committee. In other words, the bill never got second reading in the House. Apparently the House refused to give it a second reading and instead referred it to this committee. You can make any recommendation you like, but the bill would have to be reintroduced, it would have to be given first reading and second reading, and then, if the House so decides, be referred back to this committee again.

Mr. ADAMSON: Then the bill could be amended in committee of the whole?

Mr. DUN: The bill is dead, as it stands. It is only the subject matter of this bill which remains, and that is what has been sent to this committee. If you make any recommendations from this committee to the House, the House may or may not adopt them. If they were to adopt them you would have to start in all over again by giving notice of a bill. A new bill would have to be introduced to amend the Railway Act. It would have to be a new bill, it would not be this bill 3.

Mr. ADAMSON: Was the bill to be reported back?

Mr. DUN: The subject matter could be, yes; with a recommendation.

Mr. LESAGE: May I ask you this, could we report the subject matter of this bill back to the House with the amendments?

Mr. DUN: Oh, yes.

Mr. ADAMSON: If the committee reports favourably on the subject matter, what did you say happens?

Mr. DUN: You would have to start all over again. It would be the subject of a new bill which would take a new number.

Mr. ROBINSON (*Bruce*): Providing Mr. Adamson brings the bill in as it is it could be amended on second reading?

Mr. DUN: You could not very well bring the bill in as it is because the House has already disposed of it. The House only referred the subject matter of the bill to this committee.

Mr. ROBINSON (*Bruce*): But, with the amendments?

Mr. DUN: The bill has been rejected by the House in its present form, the subject matter only was referred to this committee.

The CHAIRMAN: Is that your understanding of it?

Mr. DUN: Yes.

Mr. ADAMSON: If the committee want to report favourably on the subject matter?

Hon. Mr. CHEVRIER: That is the question before the committee.

The CHAIRMAN: I will put the motion.

Mr. ADAMSON: Apparently then that must be the motion, that the committee report favourably on the subject matter.

The CHAIRMAN: Does that include these two clauses which you presented by way of amendments?

Mr. ADAMSON: Yes, because these were amendments which would meet objections raised by witnesses and members of the committee.

The CHAIRMAN: I will put the motion.

The motion having been put it was declared lost.

The CHAIRMAN: Mr. McCulloch, do you wish to put your motion?

Mr. McCULLOCH: Yes.

Hon. Mr. CHEVRIER: Before you put the motion, I have drafted a wording here which perhaps might cover the point and be acceptable to the committee:—

That the Board of Transport Commissioners be asked to give consideration to an amendment to an appropriate section of the Railway Act which would meet more adequately the situation sought to be met by bill No. 3, an Act to amend the Railway Act.

The CHAIRMAN: Gentlemen, you have heard the motion, what is your pleasure?

Carried, unanimously.

Gentlemen, there is nothing else before the committee, except that I would like to ask your guidance in connection with the date of the next meeting.

Mr. GRAYDON: I would like to make one suggestion, if I may?

The CHAIRMAN: All right, Mr. Graydon, go ahead.

Mr. GRAYDON: With the consent of the committee I desire to point out that what we are all interested in is immediate and urgent action to solve a very acute problem. Far be it from me to make more than a suggestion to the committee because I am not on the committee; but may I make this suggestion to the minister (Hon. Mr. Chevrier), that at this session of the House, if this bill is not going to be reported upon favourably, which would appear to be the case, then I would like the Minister (Hon. Mr. Chevrier) to give consideration to the bringing in of some emergency legislation that would permit the Board of Railway Commissioners to deal with some of these most acute problems before they go on for another year or two years. This bill is the one that we want and we are not in anyway receding from our position in connection with it.

But this problem is so acute and the committee having decided against the present Bill I do suggest to the Minister that he try to find some way in this session to give sufficient power to the Board of Railway Commissioners to deal with this acute situation instead of allowing it to continue indefinitely.

The CHAIRMAN: I think that is a very reasonable request.

Hon. Mr. CHEVRIER: I will be glad to give consideration to that.

Mr. STEPHENSON: I wonder if the committee would agree with me in suggesting that signals be put on every railway crossing in Canada, not only in towns and cities.

The CHAIRMAN: I am afraid we could not do that because of the great expense.

Mr. LESAGE: May I tell the committee that the town of Montmagny has had an application before the Board of Transport Commissioners for some eight months now. They have such a great lot of work ahead of them that it takes a very considerable time to get a hearing. We are hopeful that we may get before them not later than December.

The CHAIRMAN: Before we adjourn, we will have to have another session of the committee on bill letter B9 of the Senate, an Act to incorporate the Prescott and Ogdensburg Bridge Company. Unless there is objection we will call a meeting for tomorrow afternoon at four o'clock. Is there any objection to that?

Mr. IRVINE: I think some of us have to be in committee at that time.

The CHAIRMAN: If you are referring to the Banking and Commerce Committee, I understand that is to sit in the evening at eight o'clock.

The committee adjourned at 5.25 o'clock p.m. to meet again on Thursday, July 11, 1946, at 4.00 o'clock p.m.

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Canada, Railways, Canals and Telegraph
Lines, Standing Committee, 1946

(SESSION 1946
(HOUSE OF COMMONS)

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(STANDING COMMITTEE)

(ON)

(RAILWAYS, CANALS AND
(TELEGRAPH LINES)

BILL No. 345, AN ACT RESPECTING THE CONSTRUCTION OF A
LINE OF RAILWAY BY CANADIAN NATIONAL RAILWAY
COMPANY FROM BARRAUTE TO KIASK FALLS
ON THE BELL RIVER, IN THE
PROVINCE OF QUEBEC

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

MONDAY, AUGUST 12, 1946

WITNESS:

Mr. S. W. Fairweather, Vice-President, Research and Development,
Canadian National Railway Company.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1846





ORDERS OF REFERENCE

HOUSE OF COMMONS,

FRIDAY, March 29, 1946.

Resolved,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines:—

Messrs.

Adamson	Eudes	Michaud
Archibald	Farquhar	Mullins
Ashby	Gagnon	Mutch
Aylesworth	Gauthier (<i>Portneuf</i>)	Pearkes
Beaudoin	Gauthier (<i>Nipissing</i>)	Picard
Beaudry	Gourd	Pouliot
Belzile	Grant	Robinson (<i>Bruce</i>)
Bentley	Harris (<i>Danforth</i>)	Robinson (<i>Simcoe East</i>)
Bertrand (<i>Terrebonne</i>)	Hatfield	Ross (<i>Souris</i>)
Black (<i>Cumberland</i>)	Herridge	Ross (<i>Hamilton East</i>)
Blair	Hodgson	Shaw
Bonnier	Irvine	Smith (<i>York North</i>)
Bourget	Johnston	Stephenson
Breithaupt	Knight	Viau
Brooks	Lesage	White (<i>Hastings-</i>
Campbell	Little	<i>Peterborough</i>)
Chevrier	Maybank	White (<i>Middlesex East</i>)
Church	Mayhew	Whitman
Cloutier	McIvor	Winters—60.
Drope	McCulloch (<i>Pictou</i>)	
Emmerson	McKay	

(Quorum 20)

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

WEDNESDAY, May 1, 1946.

Ordered.—That the said Committee be given leave to sit while the House is sitting.

Ordered.—That the said Committee be granted leave to print, from day to day, 500 copies in English and 200 copies in French of the minutes of proceedings and evidence to be taken, and that Standing Order 64 be suspended in relation thereto.

Ordered.—That the quorum of the said Committee be reduced from 20 to 12 members, and that Standing Order 63 (1) (b) be suspended in relation thereto.

MONDAY, August 5, 1946.

Ordered.—That the following Bill be referred to the said Committee, viz:—

Bill No. 345, An Act respecting the construction of a line of railway by Canadian National Railway Company from Barraute to Kiask Falls on the Bell River, in the province of Quebec.

Attest

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

MONDAY, August 12, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

FOURTH REPORT

Your Committee has considered Bill 345, An Act respecting the construction of a line of railway by Canadian National Railway Company from Barraute to Kiask Falls on the Bell River, in the Province of Quebec, and has agreed to report it without amendment.

A copy of the minutes of proceedings and evidence is appended.

All of which is respectfully submitted.

L. O. BREITHAUP, *Chairman.*

MINUTES OF PROCEEDINGS

MONDAY, August 12, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines met at 3.30 o'clock p.m., the Chairman, Mr. L. O. Breithaupt, presiding.

Members present: Messrs. Beaudoin, Belzile, Bourget, Breithaupt, Campbell, Chevrier, Farquhar, Gagnon, Gourde, Hatfield, Lesage, McCulloch (*Pictou*), McKay, Mutch, Robinson (*Simcoe East*), Whitman.

In attendance: Mr. S. W. Fairweather, Vice-President, Research and Development, Canadian National Railway Company.

The Chairman read the Order of Reference, viz.:

MONDAY, August 5, 1946.

Ordered: That the following Bill be referred to the said Committee, viz:—

Bill No. 345, An Act respecting the construction of a line of railway by Canadian National Railway Company from Barraute to Kiask Falls on the Bell River, in the Province of Quebec.

Hon. Mr. Chevrier explained the purpose of Bill No. 345.

Mr. Fairweather was called, heard, questioned and retired.

Clauses one to ten, inclusive, the schedule, the preamble and the title were adopted.

The Bill was adopted and the Chairman ordered to report to the House accordingly.

At 4.30 o'clock p.m., the Committee adjourned to meet at the call of the Chair.

A. L. BURGESS.
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

August 12, 1946.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 3.30 o'clock p.m. The Chairman, Mr. L. O. Breithaupt, presided.

The CHAIRMAN: Gentlemen, if you will come to order we will consider Bill No. 345. The reference is that the following bill be referred to the Standing Committee on Railways, Canals and Telegraphs: Bill 345. An Act respecting the construction of a line of railway by Canadian National Railway company from Barraute to Kiask Falls on the Bell River, in the province of Quebec.

The Minister of Transport is here. Is there anything you wish to say, Mr. Chevrier?

Hon. Mr. CHEVRIER: Mr. Chairman and gentlemen, there is nothing I wish to say more than this, that the bill has been referred to this committee by the House of Commons sitting in committee of the whole. The members will remember that the bill has to do with the construction of a branch line from Barraute on the National Transcontinental to a place called Kiask Falls—a branch line fifty-five miles in length. The projected line is in the Abitibi country, about 400 miles west and north of Quebec city. I outlined the facts concerning the authority that is sought by parliament for the construction of this branch line—and I do not want to repeat them—as well as the policy of the Canadian National Railway when lines of this sort are built, and I referred also to the guarantee by the Canada Paper Company for a portion of the projected line. The bill was referred to this committee, and there are witnesses here who will explain this matter to you: Mr. Fairweather, Mr. Maxwell and Mr. Rosevere of the Canadian National Railways. They are prepared to answer any questions if the committee is ready to discuss the bill clause by clause.

The CHAIRMAN: Do you wish to hear Mr. Fairweather and get some detailed description of the line, or do you wish to discuss the bill clause by clause?

Mr. WHITMAN: Let us hear Mr. Fairweather.

Hon. Mr. CHEVRIER: I think it would be advisable if we could hear evidence from Mr. Fairweather.

The CHAIRMAN: None of us knows very much about this matter, and I think it is desirable to call Mr. Fairweather. Would you proceed, Mr. Fairweather?

Mr. S. W. Fairweather, Vice-President, Research and Development Department, Canadian National Railways, called:

The WITNESS: Mr. Chairman and gentlemen, this area of northern Quebec which is proposed to be developed by the branch line under consideration is an area of rather extensive and diversified natural resources. It is an area which

the Canadian National has had under observation for many years. I remember nearly twenty years ago having made a study of this area and at that time we reached the conclusion that it was inevitable that this area would be developed, and in that course of development a railway would be necessary. However, at that time there was not any necessity for constructing such a line because there was a superabundance at that time of pulpwood much easier of access, and at that time also the agricultural development in that area was not as well known as it is now.

However, in the later stages of the war when it became evident that we could plan in the reasonably near future for further expansion we made another survey of this area and this further survey confirmed the previous conclusions. But at this time there was a difference because while we were in the process of making our survey we were contacted by the Canada Paper Company to see whether they could interest us in building a branch line into that area; also the Department of Colonization in the province of Quebec were anxious to get a line into that area. As a result of negotiations which were conducted over quite a considerable period of time the Canada Paper Company made a proposal to the Canadian National to guarantee a minimum amount of traffic over the lower portion of the line as far as the mouth of the Taschereau River.

MR. CAMPBELL: How many miles would that be?

THE WITNESS: 43.7 miles to the mouth of the Taschereau river. The project was considered by the board of directors of the Canadian National Railways and it was recommended to the government.

In order that we may get some idea of the terrain, we have prepared this general map showing the relationship of the branch from Barraute to Kiask Falls in relation to the other lines of the Canadian National and to the country generally. Here, on the map, you see the National Transcontinental Railway running approximately along the height of land and going down into Quebec. Then from this point there is a line of railway going down to Sherbrooke and in the general direction of Richmond and Portland, Maine; and down on that line is Windsor Mills.

Now, the prime object of this branch line, so far as the Canada Paper Company is concerned, is to obtain pulpwood from an area of timber lands which they have been granted to the east of the Bell River, together with pulpwood which they hope to buy from settlers on the west of the Bell River, and moving it to their pulp mill and paper mill down at Windsor Mills. This mill at Windsor Mills draws its pulpwood at the present time from the area in eastern Quebec, which is not sufficient to support the pulp mill in its present output; and moreover the Canada Paper Company have in mind an expansion program to increase the size of this plant, and they simply had to obtain an adequate source of pulpwood. Consequently, they negotiated with the province of Quebec and they obtained the cutting rights on this area coloured in blue (east of the Bell River), which consists of approximately 700 square miles containing 4,850,000 cords of pulpwood. That was conditional upon them being able to get a railway built from the National Transcontinental up to these limits.

Coming back to the general map, I would like to point out that Quebec in a sort of focal point from which lines radiate down to the maritime provinces, down to Montreal and down to Sherbrooke and Windsor Mills in the eastern townships of Quebec. The Quebec bridge being the dominating controlling factor in that picture, giving access to the area lying south and east of the St. Lawrence River. To and from this northern area everything passes over the Quebec bridge. Over here we have the Lake St. John country, served by the Canadian National Railways by a line starting from Quebec and running up through Riviere a Pierre, up to Lake St. John and coming down into Chicoutimi and Arvida, where the big Aluminum Company is located, and also where there are pulp and paper mills.

While there is no intention at this time of extending this branch line, the location of the branch line was necessarily considered in relation to possible future development and its strategic location was picked so it would serve a number of purposes. First and foremost it must be located so as to tap the pulpwood limits coloured in blue on the large map (east of the Bell River); then also it had to be located to serve the agricultural and colonization possibilities of the area. And that leads me, perhaps, to a discussion on this map. The Bell River which runs northerly to Lake Mattagami marks the approximate boundary between the rugged terrain lying to the east and the clay belt lying to the west. This country lying to the east has no agricultural possibilities; it is rough and rugged and wholly rocky, and while it has mineral possibilities and is heavily timbered, it is not suitable for settlement. For that reason the Quebec government confined the timber limits which were granted to the Canada Paper Company to the area lying to the east of the Bell River. To the west of the Bell River, however, the condition is entirely different, and this whole area is the largest area of the clay belt which is to be found in northern Quebec, or northern Ontario for that matter. It is really the bed of an old glacial lake. At one time the glaciers made an escarpment along the northern portion of it and the water backed up between there and the height of land and in that lake was deposited fine clay and silt and alluvial deposits, so that this area along the Bell River and the Harricaw River is composed of a very fine type of soil very well suited for agriculture. The only question that arises with regard to it at all is whether or not it is so far north that you cannot get constant crops. That is a matter which has been determined and settled by the courage of the pioneers of Quebec, because they settled along the line of the National Transcontinental on a portion of the clay belt lying adjacent to the National Transcontinental Railway and just about on the height of land, and they settled there so successfully that there are now something like 60,000 of them living off the land in that area, and you can see that they have developed the agricultural possibilities of that area to the practical extent of development over the existing railway.

Hon. Mr. CHEVRIER: Are there not about 75,000 people in that country?

The WITNESS: There are about 75,000 in the country but about 15,000 of them live in towns and villages, and the rest live on the land.

So that question has been settled, and it has been proved that people can live up in that country and make a decent living from agriculture. There is no question about it at all. The soil is good. It is true that the climate does have its own peculiarities and the farmers have to learn how to manage their crops, but there is no reason to believe that that country is not a proven pioneering country. The amount of settlement, however, is limited by the distance you can go back from the railways with supplementary highways. The studies we have made indicate that with modern motor transport and highways, a railway will develop a belt about 25 miles on each side efficiently. Before the development of motor transport, that belt was much narrower and only amounted to about 12 miles on each side, but the effect of motor transport is to just about double the economic zone of the line. You can see that settlement has just about reached that level, because these roads indicated on the map are about 25 or 30 miles back from the N.T.R. The province of Quebec, faced with that situation, desire to develop an area even farther north and there arises immediately a question whether, what has been proven in the area on the height of land, remains true of the area as you go further north. We know that the soil is good. We know that the soil is excellent. So far as the climate is concerned, there is a rather happy compensating feature which is present. This whole country slopes to the north and the consequence is that as you go north you lower the elevation; and the lowering of the elevation offsets the increase in the more northerly location. The result is that the climate as you go north is really

milder from an agricultural standpoint than it is on the height of land. That is proven by the fact that down here on the height of land the virgin forest growth averages about 10 inches at the butt. Down here at Lake Mattagami, just about 100 and some odd miles north of the N.T.R. it will average close to 20 inches on the butt in the virgin forest. Of course that is very conclusive evidence that the climate is satisfactory. In any event, the province of Quebec has definitely laid plans for colonization of that area which I am outlining here and which is composed of the townships of Themines, Comptois, Vassal, Despinassy, Bartouille, Iaas and Hurault; and they plan in that area to locate in the next 10 years, I think it is, 1,700 families. They count their colonization in family units.

By Hon. Mr. Chevrier:

Q. That is roughly, 10,000 people?—A. That would be 10,000 people, as the minister points out. There are two other natural resources to which reference might be made.

Q. Might I interrupt you there, Mr. Fairweather?—A. Yes, certainly.

Q. It has been suggested that 10,000 people could hardly make a railway of that nature or a projected line of that nature a paying proposition. What do you say to that?—A. Oh, I would differ on that statement. I should think that 10,000 people when settled along a branch line 40 miles long is a more dense population than you will find in most agricultural communities, it is certainly much denser than you would get in the west. I am glad the minister interrupted me on that point.

This agricultural development here (west of the Bell River) is of a dual nature. It is agriculture mixed with lumbering. The area is not only suitable for agriculture—but it is also excellent forest country in its own right. The province of Quebec very wisely is adopting a policy that only about 60 per cent of the land will be brought under cultivation and 40 per cent of it will be maintained in permanent forest and will be cut as a crop which, gentlemen, you will realize is a much greater prospective traffic-giver than would be a purely agricultural community; because if you figure even on the annual increment of the portion of the area which will be left in permanent forest, that in itself would be sufficient to pay the expenses of the line, to say nothing of the agricultural development and to say nothing of what might be cut in the forest area lying to the east of the Bell River.

I was proceeding to mention the two other natural resources which we did not take into account in estimating the results of operation, but which we feel have distinct possibilities. One is the mining possibilities. The area along the branch line is in a very favourable territory, structurally, for the location of, or discovery of mines—copper, zinc and gold chiefly. Geologically this country again divides along an axis that extends approximately from Parent up to the Lake St. John country, and the country lying to the east of that line is made up of a complex of granites and gneisses in which there are practically no economic metals. But the country lying to the north and west of that axis is composed of the ancient lavas and sedimentary rocks of the pre-Cambrian shield which are intruded by molten magmas from below which have been fractured and sheared and constitute a very valuable source of minerals. Actually, geologists can trace the breaks and the formations extending from the Porcupine and the Larder Lake area of Ontario right up through Bell River country here and up to Chibougamau, which is up around here (indicating). That axis of favourable mineralization passes right through the area that the branch line is located on. Prospects have been discovered on Lake Mattagami. They have been discovered up in Currie Township in the Wedding River area. That is, that area there and also in the Chibougamau. Some of these prospects have made small mines.

By Mr. Whitman:

Q. Is Normetal there?—A. No. Normetal is farther west (indicating) and it is a zinc-copper proposition; chiefly zinc.

Q. It is farther west?—A. It is farther west. But the Opemiska Copper is up in the Chibougamau area as well as the Chibougamau Consolidated. There is the Wedding River Area up in here (indicating). As I say, there were gold mines located around the Wedding River area that were in production until they were interrupted by the war. They were high grade mines and it is quite possible they will resume production, in which event a line extending up even as far as Kiask Falls would be of very great assistance to them. But gentlemen, I should like you to understand that in making the estimate of the economic results of this line, we have given no weight at all to the mineral development, although I for one feel that 10 or 15 years from to-day there will be producing mines in that area.

The other natural resource is one which we in the east have not as yet paid very much attention to, and that is freshwater fisheries. Freshwater fisheries have developed into a major industry in western Canada. In eastern Canada there have not been readily accessible waters that were suitable. But the Bell River and Lake Parent have distinct possibilities. But again, we considered that too speculative to include in the estimates of production. Consequently we have based our estimates upon the natural resources which we knew were in process of development—that is, forest wealth and the agricultural settlement; and based upon those resources we have satisfied ourselves that this line of railway will improve the net position of the Canadian National Railways.

I have endeavoured, Mr. Chairman, to give in a sketchy outline the location of the line and what it means. I might say that at Kiask Falls, where the terminus of the present line is intended, there is a waterfall there or two waterfalls with a total height of about 100 feet, and there are considerable power possibilities. Of course, the actual extent of the power you could get would depend upon the degree to which you regulated the river system. If you did not regulate the river system at all, you would have a minimum power of about 20,000 horsepower. If you regulated the river, you might get 100,000 horsepower at that point.

The CHAIRMAN: Thank you, Mr. Fairweather. The Committee, I believe, in common with all members of the House, are anxious to finish the business of the session, but they are not anxious to do it at the expense of not knowing what it is all about. So if there are questions which any of the members wish to ask of Mr. Fairweather on any points that are not quite clear, they may be asked now.

By Mr. McKay:

Q. I have just one question. I am rather interested in this project. It seems to me it is going back to the days when we really opened this country up, and I think it is a project to be commended. I should like to question Mr. Fairweather regarding this clay belt that he referred to. It seems to me that the minister mentioned something in the House, when this bill first came up for discussion to the effect that there were some 250,000 acres available there. Was it adjacent to this railway or did it include all this clay belt? Surely it would not include all the area Mr. Fairweather mentioned?—A. The answer to that, sir, is that the 275,000 acres was strictly limited to the area which will be developed by this limited branch line.

Q. Within 25 miles of the railway?—A. A belt 25 miles on each side of the railway.

Q. Yes.—A. So far as the area itself is concerned, it has vastly greater potentialities than that.

By Mr. Hatfield:

Q. What is your estimated revenue from the forest and what is your estimated revenue from agriculture?—A. Of the gross revenues that we estimate will result from the line in the period of the guarantee, which amount to about \$3,000,000—\$3,007,000, to be exact—68·5 per cent of that will come from pulp-wood; other outward freight,—and that would represent agricultural commodities and specialties of one kind and another—7·3 per cent; inbound freight—and that would be supplies for the settlers and the lumber camps, machinery and stuff like that—14·2 per cent; passenger, mail and express, 10 per cent. That makes up the total. So you can see that roughly two-thirds of the revenues in the first 6-year period will come from the exploitation of the forest resources.

By Mr. Campbell:

Q. How soon do you expect the line to pay its own way? It will not pay its own way the first two or three years, will it?—A. Of course, that is the purpose of the guarantee. You cannot expect a branch line to pay in the first few years. You have to take a wider point of view, and we consider that the development period to test out an area is from 5 to 10 years. In this case, we settled with the Canada Paper Company on a 6-year spread; and in that period we demanded from them a traffic guarantee which would be sufficient to make the line pay—that is, it would break even. The C.N.R., under the guarantee, is bound to break even; and by breaking even I mean that is after paying all the operating costs, all the maintenance costs, all rental on equipment and interest on the cost of construction.

Q. How far north is that? In what township would the end of the line be?—A. The end of the line is in Laas township.

Q. I do not know where that is. What township would it be?

Hon. Mr. CHEVRIER: It is in Laas township. That is the township.

By Mr. Campbell:

Q. What county?—A. It is in Abitibi county, Laas township.

Q. What parallel would that be?—A. Well, it is the 49th parallel almost exactly.

Q. It would be about the same as Edmonton, then. How far north, or on what parallel is Edmonton?—A. Edmonton is farther north than that.

By Mr. Mutch:

Q. That is on the 49th?—A. Yes. Edmonton is on the 54th.

Q. The 49th parallel is the boundary in the west.—A. The 49th parallel is the international boundary in the west.

Q. That is south of Winnipeg. The boundary is the 49th parallel.—A. The 49th parallel constitutes the boundary between Canada and the United States in the west and it continues through this area (indicating). You see, we are just about there (indicating). So that you are south of Winnipeg and about the international boundary.

Q. The 49th parallel is as far south as you can get in the west?—A. You cannot get any further south in the west, no. But from the point of view of geography, of course, we must remember that the Hudson Bay dominates the climate in the east.

By the Chairman:

Q. Considering the timber limits that have been purchased by the Canada Paper Company up there, how long will that last, with the present capacity of the Windsor mills plant? Of course, they are augmenting that, I understand. They are enlarging that, are they not?—A. I am glad that point has been

raised. The Canada Paper Company has also embarked in this venture on a new policy. They do not intend to go into that area and clean it off. They intend that to be a permanent forest and they plan to cut never more than about 2 per cent of the area: that is on the average. They figure that they can take off this about 100,000 cords a year.

By Mr. Gourd:

Q. In perpetuity?—A. In perpetuity.

By the Chairman:

Q. Will they undertake any reforestation or will they let nature take its course?—A. There are two methods that they are using. The one is to cut selectively. Whether that can be used up in that area or not, they are not quite certain. They do use that method down in the eastern townships.

Hon. Mr. CHEVRIER: There will be no question of stripping the country?

The WITNESS: No.

By Mr. Mutch:

Q. Apart from fire, is it not correct to say that the experience in comparative areas is that it grows as fast as you can cut it on regulated cutting?—A. If discretion is used in the cutting you can cut about 2 per cent of your stand.

Q. It is a fifty-year cycle?—A. Yes, a fifty-year cycle.

By Mr. Lesage:

Q. I understand that the proposed railway will run north and northeast so that it touches the Canada Paper Company area. Would it not be more suitable for the proposed colonization area if the line went due north up from Barraute?—A. Well, sir, that is a very good point, and I will refer to it briefly. When we were negotiating with the province of Quebec they were strongly in favour of a line that went north from Barraute, but that left the Canada Paper Company up in the air. The economics of building a line true north and over to tap this pulp area was less favourable than building a line diagonally. The diagonal line does everything that the province wants to do in the next ten years. That is capable of developing this area which is marked on the map in dots and is an area of 700,000 square miles. Now, when they have finished the development of that area the question will then arise as to further expansions to tap further areas, and as I previously mentioned this line is strategically located so that this additional line can be built.

Hon. Mr. CHEVRIER: That is west and north of Kiask Falls?

The WITNESS: West and north of Kiask Falls, and you can hit down towards Mattagami, you can hit over toward Chabougamau; it depends on whether you wish to tap agricultural possibilities or mining territory or timber-land; but the line is deliberately located along the axis to meet the views of both the Canada Paper Company and of the Department of Colonization.

Mr. MUTCH: Ten years is long enough to look ahead.

The CHAIRMAN: Shall we proceed now with the clauses of the bill?

Clauses 1 to 10 carried.

The CHAIRMAN: Shall the schedule carry?

Carried.

Shall the preamble carry?

Carried.

Shall the title carry?

Carried.

Shall I report the bill?

Carried.

There is nothing else before the committee and a motion to adjourn is in order.

The committee adjourned.



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Canada, Railway, Canals and
Telegraph Lines, Standing Committee,
SESSION 1947-48

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HOUSE OF COMMONS

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES)

MINUTES OF PROCEEDINGS AND EVIDENCE
INCLUDING SECOND AND THIRD REPORTS TO HOUSE

BILL No. 8
AN ACT RESPECTING
THE BELL TELEPHONE COMPANY OF CANADA

WITNESSES:

Mr. Frederick Johnson, Robert V. Macaulay, N. A. Munnoch, K.C.,
President, Vice-President and General Counsel of The Bell Telephone
Company of Canada.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.S.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



Canada, Railway, Canada and
Telegraph Lines, Grand Jury Ct. M.
SESSION 1947-48
1947/48

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Publications

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STANDING COMMITTEE

ON

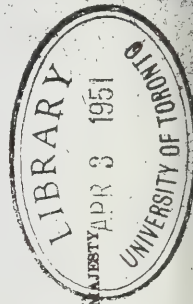
RAILWAYS, CANALS AND
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1945

ORDERS OF REFERENCE

HOUSE OF COMMONS,
Monday, February 2, 1948.

Resolved—That the following members do compose the Standing Committee on Railways, Canals and Telegraph Lines:

Messrs.

Archibald	Gagnon	Michaud
Asby	Gauthier (Portneuf)	Miller
Aylesworth	Gauthier (Nipissing)	Mullins
Beaudoin	Gourd (Chapleau)	Parkes
Beaudry	Hart	Picard
Bentley	Hatfield	Pouliot
Berrand (Terrebonne)	Herridge	Robinson (Simcoe East)
Black (Cumberland)	Hodgson	Robinson (Bruce)
Blair	Irvine	Ross (Hamilton East)
Bonnier	Johnston	Shaw
Bourget	Juras	Smith (York North)
Breithaupt	Lafontaine	Stephenson
Brooks	Lennard	Stuart (Charlotte)
Campbell	Lesage	Timmins
Chevrier	Little	Townley-Smith
Church	Maybank	Vau
Douglas	Mayhew	White (Hastings- Peterborough)
Drope	McIvor	White (Middlesex East)
Eudes	McCulloch (Picton)	Whitman
Farguhar	McKay	Winters

Ordered.—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Friday, April 30, 1948

Ordered.—That the following Bills be referred to the said Committee:—

Bill No. 205 (Letter Q-5 of the Senate), intitled: "An Act respecting Canadian Marconi Company."

Bill No. 8 (Letter C of the Senate), intitled: "An Act respecting The Bell Telephone Company of Canada."

Monday, May 10, 1948.

Ordered.—That the name of Mr. Jaenicke be substituted for that of Mr. Bentley, and that the name of Mr. Knight be substituted for that of Mr. McKay on the said Committee.

Tuesday, May 11, 1948.

Ordered.—That the name of Mr. Marier be substituted for that of Mr. Lesage on the said Committee.

Attest

ARTHUR BEAUCHESNE.
Clerk of the House.

REPORT TO THE HOUSE

THURSDAY, May 6, 1948.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

SECOND REPORT

Your Committee recommends:

1. That it be empowered to print from day to day 1000 copies in English and 250 in French of its minutes of proceedings and evidence taken respecting Bill No. 8 (Letter C of the Senate), An Act respecting The Bell Telephone Company of Canada, and that Standing Order 64 be suspended in relation thereto.

2. That its quorum be reduced from 20 to 12 and that Section 1 (b) of Standing Order 63 be suspended in relation thereto.

3. That it be given permission to sit while the House is sitting.

All of which is respectfully submitted.

L. R. BEAUDOIN,
Vice-Chairman.

NOTE: Concurred in this day.

WEDNESDAY, May 12, 1948.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

THIRD REPORT

Your committee has considered Bill No. 8 (Letter C of the Senate), intituled: "An Act respecting The Bell Telephone Company of Canada", and has agreed to report same without amendment.

A printed copy of the minutes of proceedings and evidence taken respecting the said Bill No. 8 is appended.

All of which is respectfully submitted.

L. O. BREITHAUPT,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, May 6, 1948.

The Standing Committee on Railways, Canals and Telegraph Lines met at 2.00 p.m. this day.

Members present: Messrs. Archibald, Ashby, Aylesworth, Beaudoin, Bentley, Black (*Cumberland*), Blair, Bonnier, Bourget, Campbell, Church, Douglas, Gagnon, Gauthier (*Portneuf*), Gourd (*Chapleau*), Hatfield, Irvine, Lennard, Lesage, McCulloch (*Pictou*), McKay, Pouliot, Stephenson, Stuart (*Charlotte*), Townley-Smith, White (*Middlesex-East*), Whitman.

In attendance: D. K. MacTavish, K.C., Parliamentary Agent; N. A. Munnoch, K.C., General Counsel for the Bell Telephone Company of Canada; Charles de Lotbinière Harwood, District Manager, Ottawa.

In the unavoidable absence of Mr. Breithaupt, the Chairman, and on motion of Mr. McCulloch (*Pictou*), Mr. Beaudoin was elected Vice-Chairman. He took the chair.

(The committee considered and disposed of Bill No. 205 (Letter Q-5 of the Senate), An Act respecting Canadian Marconi Company.)

The committee decided that, at the next meeting, consideration would be commenced of Bill No. 8 (Letter C of the Senate), An Act respecting The Bell Telephone Company of Canada. In relation to the said Bill No. 8, Mr. D. K. MacTavish, the parliamentary agent, stated that the president, the general counsel, and other officials of The Bell Telephone Company would, with himself, be at the disposal of the committee.

He filed for immediate distribution copies of a brief on behalf of The Bell Telephone Company and suggested that a copy be printed into the record.

On motion of Mr. Bentley, this brief was ordered printed. (See Appendix "A" to minutes of evidence).

On motion of Mr. Bentley,—

Resolved,—That permission be sought to print from day to day 1,000 copies in English and 250 copies in French of the minutes of proceedings and evidence to be taken relating to Bill No. 8 (C of the Senate), an Act respecting The Bell Telephone Company of Canada.

After discussion and on motion of Mr. McCulloch,—

Resolved,—That a recommendation be made to reduce the quorum from 20 to 12.

On motion of Mr. Lennard,—

Resolved,—That the Committee ask leave to sit while the House is sitting.

The Committee discussed the matter of its future immediate meetings.

On motion of Mr. Pouliot, the committee adjourned at 2.30 p.m. to the call of the Chair.

TUESDAY, May 11, 1948.

The Standing Committee on Railways, Canals and Telegraph Lines met at 4.00 o'clock. Mr. Breithaupt, the Chairman, presided.

Members present: Messrs. Ashby, Black (*Cumberland*), Bonnier, Bourget, Breithaupt, Campbell, Church, Gauthier (*Portneuf*), Gourd (*Chapleau*), Harth, Hatfield, Herridge, Hodgson, Jaenicke, Juras, Knight, Lafontaine, Lennard, Marier, McIvor, McCulloch (*Pictou*), Michaud, Miller, Mullins, Pouliot, Robinson (*Bruce*), Ross (*Hamilton East*), Stephenson, Stuart (*Charlotte*), Timmins, Townley-Smith, Whitman.

In attendance: Messrs. Frederick Johnson, Robert V. Macaulay, N. A. Munnoch, K.C., respectively president, vice-president and general counsel of The Bell Telephone Company of Canada; Mr. D. K. MacTavish, K.C., Parliamentary Agent, and Mr. Edouard Rinfret, M.P., sponsor of the Bill.

The Committee began the consideration of Bill No. 8 (Letter C of the Senate), An Act respecting The Bell Telephone Company of Canada.

Messrs. Johnson, Macaulay and Munnoch were called and jointly examined.

A discussion arose as to the advisability of reading the brief previously distributed and examining the witnesses thereon, as well as on the financial operations of the Company seeking to amend its act of incorporation.

Copies of the Annual Report (1947) of The Bell Telephone Company of Canada were tabled and distributed.

On motion of Mr. Miller, it was resolved to proceed forthwith with the consideration of the Bill before the Committee.

In the course of the examination, Mr. Pouliot requested the following information:

- (a) A list showing telephone companies in which The Bell Telephone Company of Canada holds controlling interests;
- (b) A list showing telephone companies in which The Bell Telephone Company of Canada has no controlling interests;
- (c) A list showing companies in which The Bell Telephone Company of Canada has no interests.

Mr. Pouliot agreed to drop his question marked (c) above.

Mr. Munnoch supplied forthwith the information asked in (a) and (b) above.

The preamble was adopted.

At adjournment, the Committee was considering Clause 1, sub-clause 1.

At 6.00, the Committee adjourned until 8.30 this evening.

EVENING SESSION

The Committee resumed at 8.30 o'clock its consideration of Bill No. 8, An Act respecting The Bell Telephone Company of Canada. Mr. Breithaupt, the Chairman, presided.

Members present: Messrs. Archibald, Black (*Cumberland*), Bonnier, Bourget, Breithaupt, Campbell, Church, Douglas, Gagnon, Gauthier (*Portneuf*), Gourd (*Chapleau*), Harth, Hatfield, Hodgson, Irvine, Jaenicke, Knight, Lafontaine, Lennard, Little, Marier, McIvor, McCulloch (*Pictou*), Michaud, Mullins, Pouliot, Robinson (*Bruce*), Stephenson, Timmins, Townley-Smith, Whitman, Winters.

In attendance: Same as at the afternoon sitting.

Messrs. Johnson, Macaulay and Munnoch were recalled and jointly examined.

Clauses 1 and 2 were adopted.

Mr. Irvine moved that clause 2 be deleted. The motion was negatived.
Yeas: 7, Nays: 16.

Clause 4 was adopted.

Mr. Church moved that clause 5 be deleted. The motion was negatived.
Yeas: 6, Nays: 16.

Clauses 5 and 6, and the title of the Bill were adopted.

Ordered, That the Chairman report the Bill to the House without amendment.

Permission was granted to Mr. Hartt to delete part of his remarks made earlier in the proceedings.

At 11.00 o'clock the Committee adjourned to the call of the Chair.

ANTONIO PLOUFFE,

Clerk of the Committee



MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 11, 1948.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 4.00 p.m. The Chairman, Mr. L. O. Breithaupt, presided.

The CHAIRMAN: Gentlemen, since we have a quorum and the hour of meeting has been passed by a few minutes, I think we may as well commence. Mr. MacTavish, the parliamentary agent for The Bell Telephone Company filed a brief, copies of which have been distributed to the members and which will be printed in due course.

We shall now consider bill No. 8, formerly bill "C" of The Senate. Shall the preamble to this bill carry?

Mr. HERRIDGE: Before we proceed with consideration of the bill, I understood from the member who was piloting the bill in the House we would be able to go through this brief and have an opportunity of asking questions on the brief before we considered the bill. Would that be in order?

The CHAIRMAN: I am in the hands of the committee with regard to that.

Mr. ROSS: We have had ample opportunity of going through the brief.

Mr. CAMPBELL: Well, there is a lot of information in the brief, but there is also a lot of information we should have which is not in the brief.

Mr. HARTT: I think the preamble is clear and definite. It sets forth the purposes of the bill and the conditions under which the application is made. If there is any information we require, we can always get it when we are considering the various sections of the bill. I believe the preamble should be adopted. We shall discuss the subject matter when we come to the consideration of the various sections.

The CHAIRMAN: Is that the pleasure of the committee?

Carried.

Then, we shall discuss the bill clause by clause.

Clause 1, power to increase the capital.

Shall this clause carry?

Mr. CAMPBELL: No, Mr. Chairman, we desire some information on a lot of different things. The company has given a list of the things for which it is going to use this money. This is a tremendous amount of money. I think whoever is representing the company should give us the reasons why the company is going to spend so much money. For what is the money going to be expended?

Mr. LENNARD: It is all in the brief.

Mr. CHURCH: Mr. Chairman, may I refer to the first clause of this bill? The principle of the bill is involved in the whole bill, the marginal notes, head-lines and everything else. I am dealing with section 1. When this company was placed under the jurisdiction of the Board of Railway Commissioners for Canada, the board was given full power to deal with the 100,000 customers the company had. If a person complained of not being able to get a telephone, it is the function of the railway board, itself, of its own volition, to check up on this company, its rights and privileges.

There was an investigation into this company, the railway companies and the express companies, by what was known as the Drayton commission. That

commission made a report to parliament and it was concurred in. I believe that report stated that any application for increased capital by this company should, first of all, be reported upon by the Board of Railway Commissioners for Canada.

Now, regarding the section relating to the power to increase capital. The company is asking altogether too much. If granted, it would mean fastening a monopoly on the provinces of Ontario and Quebec forever. I remember when such a bill as this to increase the capitalization of the company to \$150,000,000 came up about 1928. At that time, the same objections were raised. There was a Hydro movement at that time to bring cheap power into northern Ontario. It was proposed that the same pole which brought the cheap power into northern Ontario would carry the telephone wires, so as to rescue northern Ontario from the grasp of these companies.

Reference is made in the brief to Alexander Graham Bell. I agree with what was said about him in the House. This company has given excellent service. It is a well-conducted company, but it is asking, in my opinion, too much money. As I said before, I would vote for a 100 per cent increase. The increased capital for which the company is asking will tie up future generations of these two provinces for twenty-five years. Why this parliament should do that, I do not know.

Another aspect of this whole problem was reported upon by the Drayton-Ackworth commission. I shall only be three or four minutes in dealing with this first section. Discoveries in the field of natural resources such as oil, coal and falling water have been only made during the last 90 years and used for the benefit of the people. I think modern history shows that. I think it may be said that all the discoveries in the last ninety years which have been made in the fields of science, physics, chemistry, medicine and many other fields, have been turned over to the common good of the people of this country.

For instance, consider Pasteur and Banting and Best on Insulin for a moment. Pasteur made his discoveries available to the common people. Both these men gave their inventions for the benefit of the average citizen of the country. I think we would be going too far altogether if we tied up the provinces of Ontario and Quebec to a monopoly for all time in the manner the passing of this bill would make necessary. Ontario for many years and now Quebec under public ownership have found the joy of cheap power and cheap light. For example, commercial lighting for industry, barns and farms, has been reduced in Ontario and has been cut in four in some places and in five in other places. So far as domestic lighting homes is concerned, the average light bill in Ontario used to be about 92 cents a month.

If anyone asked me, I would say I think the company is asking too much. I believe the committee can do a useful work in revising the bill and cutting it down. I believe if the company were limited to 100 per cent of its capitalization, that would be all the company would require for a few years to come.

Mr. LENNARD: Might I suggest that the members of the committee stand when they address the chair?

The CHAIRMAN: It is up to the committee.

Mr. LENNARD: If you do not do that, you will have confusion. You will have two or three members talking at the same time. I am not referring to the present speaker, but I think that should be the procedure.

The CHAIRMAN: Agreed?

Agreed.

Mr. KNIGHT: I am asking that you do not make that a rule, for personal reasons.

The CHAIRMAN: I have an open mind on the matter. I do not think it matters one way or the other, so long as we avoid confusion. There should be only one member of the committee speaking at any time. If that is not the case, I am sure you will not mind if I indicate the member who has the floor.

Mr. MICHAUD: May I suggest, if a member of the committee wishes to address the committee, he stand. If he wishes to be excused from that, he can ask to be excused.

The CHAIRMAN: I do not think we will hold it against anyone, Mr. Knight, if he does not stand up.

Shall subsection (1) of clause 1 carry?

Mr. HERRIDGE: I should like to ask a question or two concerning page 2 of the brief presented by the sponsor of the bill. It reads:

At no time did the company ever operate in British Columbia. Having in mind the remarks made by Mr. Church to the effect this company has a virtual monopoly in Quebec and Ontario, I should like to ask whether this company is associated with or interested in the British Columbia Telephone Company and, if so, to what extent.

The CHAIRMAN: Would Mr. Johnson, the President of the Bell Telephone Company, care to answer that question?

Mr. JOHNSON (President, Bell Telephone Company): The Bell Telephone Company has never operated in British Columbia. It has never had any interest in the telephone companies in that province and it has no interest in the British Columbia Telephone Company today, either directly or indirectly.

Mr. CAMPBELL: I believe when the last increase in capitalization was requested in the House of Commons, Mr. Reid was the sponsor of the bill. At that time, he gave a promise that the rates would not be increased. Would the representative of the company care to make a statement in that connection?

The CHAIRMAN: That had to do with the British Columbia Telephone Company when it came before parliament last year. I do not think that has any application here. It is an entirely different matter.

Mr. CAMPBELL: Could Mr. Johnson tell us whether there is any chance of the rate being increased in the near future? It seems to me when the company is going to spend so much of its increased capitalization in the building of lines, it may be necessary to raise the rates. What is the idea?

Mr. LENNARD: I do not consider that is a fair question. I am a manufacturer, but I do not know what I will have to charge for my goods five years from now. It might be more or it might be less.

Mr. CAMPBELL: I have asked a question and I should like an answer.

Mr. LENNARD: I have a right to make comments, too.

The CHAIRMAN: I think Mr. Campbell, having asked the question, if the company cares to answer it I think it is quite in order. If the company cannot answer it, it is all right.

Mr. HARTT: It is an impossible question, Mr. Chairman. I do not want to doubt Mr. Campbell's attitude, but it is commonsense that no company can foretell what is going to happen tomorrow. Supposing a storm comes and the poles keep falling down all along the line. An unforeseen capital expenditure is made necessary. We could not hold Mr. Johnson to a statement his company is not going to increase the rates in the face of such a disaster.

Supposing some new discovery is made. The telephone company says to the public, "You want it, but it will cost you more." Will Mr. Johnson's statement be binding? Mr. Campbell would want a true and honest answer and, judging from the past performance of this company, I believe he would get it.

The Bell Telephone Company has given every service for what it receives. I have no interest in The Bell Telephone Company. We, in Montreal, feel that The Bell Telephone Company is a company which should be lauded for the service it gives to the people. The company has never spent money lavishly or ill-advisedly. They are very careful people.

You could bring the whole city of Montreal here. We know of the telephone shortage. We know the company, with the best will in the world, cannot supply a service. I know of no public utility in the Dominion of Canada that can compare with The Bell Telephone Company with regard to service, public relations, attention to clients, and so on. Consequently, I believe that, granted the best intentions, the president of the company could not bind the company in the future with a statement as to what is going to happen. He would have to be a prophet to answer that question.

Mr. HATFIELD: I should like to ask the witness how much interest his company has in the New Brunswick Telephone Company? Has it a controlling interest?

Mr. JOHNSON: No, we have a minority interest in that company. It is a very substantial minority interest.

Mr. HATFIELD: How many bonds do you have outstanding?

Mr. JOHNSON: Bell Telephone Company?

Mr. HATFIELD: Yes.

Mr. JOHNSON: \$102,000,000.

Mr. HATFIELD: Why do you not get some of this money from bonds at 2½ per cent or 3 per cent? Why do you charge the users of the telephone 8 per cent?

Mr. JOHNSON: We raised \$35,000,000 by bond issue in February of this year. This has taken our debt ratio up to 42 per cent of our total capital. Last year we raised, through the issue of common stock at \$140 to the shareholders, new equity money at a cost of 5½ per cent. In January or March of 1947, we raised \$35,000,000 in bonds at a cost to the company of 2.9 per cent. In 1946, we issued capital stock to the shareholders at \$145 per share at a cost to the company of something under 5½ per cent. There are certain limits to which you can carry your debt if you have to keep the credit of the company sweet.

My own opinion is that, today, we are approaching, perhaps, the limit of what is safe for the credit of the company in the way of mortgaging the company's property. We have mortgaged it today to the extent of about 42 per cent. We have no leeway at the present time in issuing further equity capital which, in my opinion, is essential for the benefit of the telephone users of Ontario and Quebec and for the industry generally.

Mr. HATFIELD: I am absolutely opposed to the telephone company coming here and cutting a melon for the present stockholders. They are making a present of thousands of dollars to the present stockholders. We are giving them the right to do that at the expense of the users of the telephone. I know they need money. I know their service is rotten. Mr. Hartt says the service is good in Montreal, but it is not good in Ottawa. I use the telephone as much as any man in this room or more and I knew what the telephone service is like. You are asking this committee to give you power to pay to your present stockholders thousands and thousands of dollars in the way of one share of stock for ten when your stock is worth \$162 or \$163 on the market today. You are paying dividends on that stock from 5 per cent to 8 per cent, at the expense of the users of the telephone when you could go out and sell bonds for half of this money. You could sell bonds for half of it and I would be agreeable but I am absolutely opposed to your giving stock and dividends to your shareholders.

Mr. CAMPBELL: I asked a question a little while ago and it was not answered and my purpose in asking the question was this. The company is going to spend \$1,000,000 on right of way, land and buildings \$42,000,000, central office equipment \$97,000,000, station equipment \$95,000,000, exchange lines \$86,000,000, toll lines \$26,000,000, general equipment \$15,000,000, or a total of \$362,000,000. Can you make that expenditure and hold your present toll rate at the present figure?

Mr. MUNNOCH: Mr. Chairman, if I may be allowed to answer I would say the total amount of the capital we seek will not be issued all at once. It will be issued from time to time as it is needed for creating new telephone plants of the type which the honourable gentleman has referred to in the list. As that new telephone plant is created it will be put into production, that is into earning revenue. It is impossible to say what will happen to telephone rates, but I can say that at the present time the company has filed no application with the railway board for an increase in rates and has made no preparation for filing such an application. We have carried on through the war period and by reason of economies and technological improvements in telephony we have been able to maintain our present rate structure since it was established in 1926. Now as to the future, as long as by economies and technological development we can maintain our rates, we intend to do so, but if the economic conditions under which the company has to operate compel us to seek higher rates then the company will seek them. That is the position, as far as we can make a statement, at the present time.

Mr. KNIGHT: May I suggest these arguments for the company can be brought out if the brief were read item by item. In my experience in committees if the witness is presenting a brief he reads it. As a matter of fact, however, some members have had opportunity to make a study of the brief.

The CHAIRMAN: The brief was presented at the last meeting for perusal by the members and, although I have not ruled that it should not be read here, I understood the feeling of the meeting was that it was not necessary to have it read.

Some Hon. MEMBERS: Hear, hear.

Mr. KNIGHT: My feeling is the brief is short and there is considerable amount of information which I for one would like to elicit. We could bring questions out when we come to the particular parts of the brief on which we desire further information. There is no statement here with regard to the assets of the company, the liabilities of the company to the public, and such things as the amount of dividends paid to the shareholders since 1880. Those are points of interest which we like to have. I know they are matters of record but they should be here.

Mr. HARTT: I submit the brief is an explanation of the bill before the committee. The brief does not constitute the law which we are considering. If any honourable gentleman feels the information is not sufficient he has a right to elicit that information from the representatives of the company. I cannot imagine why we should sit down, read, argue over, and discuss thirty-one pages as against a page and a half. If we are not satisfied with the information we can ask the representatives of the company but if we study the brief we will be studying something to which we cannot give legal effect.

Mr. KNIGHT: The brief has a bearing on the bill.

Mr. HARTT: It is the bill which will become law and that is what we have to study. I think the honourable gentleman is in error in suggesting that we study the brief instead of the bill.

Mr. LENNARD: My experience in committees of this House has been that where a brief is presented and read there are no interruptions until the reading

of the brief has been completed. At that time, if there are questions to ask the members have that privilege. That has been the custom in any committee in which I have served in the last two years.

Mr. TOWNLEY-SMITH: The brief generally has been read.

Mr. LENNARD: If you had not read the brief before today you should have read it. You have had it a week.

Mr. KNIGHT: I do not think it is proper for one committee member to tell another committee member what he should or should not have done. I am asking that the brief be read. May I have it read?

Mr. HATFIELD: I want to ask the witness if it is company procedure to issue one share to the old stockholders for every ten shares they held at par?

Mr. MUNNOCH: I cannot answer any such question. Whatever price future stock will be issued at must be determined by the Board of Transport Commissioners under subsection 2 of section 1. The board sets the price at which the stock will be issued.

Mr. HATFIELD: Have you made application?

Mr. MUNNOCH: There is no application pending.

Mr. HATFIELD: Why is it before the committee?

Mr. MUNNOCH: Because the company is left with a balance of unissued capital to the extent of \$13,000,000 which is not enough to carry on the construction program for any length of time.

Mr. HATFIELD: You are making application to increase the stock by \$350,000,000. Why do you propose to issue that stock? You have always issued it in the past one share for every ten held.

Mr. MUNNOCH: No, sir.

Mr. HATFIELD: In what way have you issued it?

Mr. MUNNOCH: Sometimes one in five, one in four, and since 1929 and for some time prior to that we have always issued it at a price above par.

Mr. HATFIELD: Why do you issue it that way?

Mr. MUNNOCH: The reason for that is that here you have an industry which had been built up over a number of years by the money its shareholders put into it. Our experience shows that when we are seeking new equity capital that our existing shareholder body is the greatest source from which we can get new capital.

Mr. HATFIELD: There is no trouble in getting capital at 8 per cent these days? Talk about giving melons to your shareholders—

Mr. MUNNOCH: It is only 8 per cent at par and that is not what the shareholders get today. The last issue was at \$140 and the share previous went at \$145.

Mr. TOWNLEY-SMITH: That is what everybody paid.

Mr. KNIGHT: Is it not true—

The CHAIRMAN: Order. To dispose of Mr. Knight's question as to whether the brief should be discussed in detail, Mr. Munnoch, the solicitor for the Bell Telephone Company is here. He prepared the brief for the company and I believe he is prepared to answer all questions. I think such action would obviate the necessity of going through the formality of reading the entire thirty-one pages and therefore I think we will proceed in that manner. If any members wish to ask Mr. Munnoch questions they may do so.

Mr. CHURCH: I would like to have an explanation of page 6 of the brief at which is set out the functions of the Board of Transport Commissioners. I am not a socialist and I have never been a socialist, other than perhaps a christian socialist, and I believe they have made a great success of the light

heat and power business in Ontario. I notice that under the Railway Act the Board of Transport Commissioners has power and jurisdiction over all the operations under the company's special acts, to enforce agreements into which the company enters, to make inquiries into the company's operations and to inspect the company's works. Those powers are to be exercised of the board's own volition and as I understand it any one of the hundred thousand customers could have written to the Railway Transport Commissioners and an inspector would have made any desired inspection. On page 7 it is set out that the board regulates the construction of the company's works, may order the company to make repairs, may regulate the company's tolls and traffic, may regulate joint tariffs, has power over contracts limiting liability, has power over the construction of lines upon or across highways, over the construction of lines across other lines, and so on. This matter of lines crossing highways is important and they are assessing municipalities today. I will admit that the Bell Telephone Company has been co-operating in having underground lines but for years they had power to swing up any pole on any street they wished. Back in 1918 we had a clause inserted in the Railway Act and the Board of Railway Commissioners found they had no jurisdiction over poles and street widenings. I contend the Railway Act should be revised every ten years just like the Banking Act and that matter should be covered. This company can put poles in, or along, over and under a highway but they cannot do it without the consent of the municipality, and that is very good legislation. I want to ask the chairman, why, since it is involved, the Board of Transport Commissioners has not been consulted first about this present application to increase the capitalization?

Mr. MUNRO: They were not consulted but as a matter of course they were informed that we were making application.

Mr. CHURCH: As a matter of fact I have some correspondence with the Board of Transport Commissioners and probably I had better ask a question. I will be through in just a minute or two but I might say as I see it, the powers of the board impose a duty on the board to make inquiries of its own volition, and to prepare the way for this application to the high court of parliament. The board did not do it. This is not a court, fortunately, but I have been dealing with lawyers for over a generation and I have found them all alike. Your company has now come to parliament. What for? The powers of the Board of Railway Commissioners have not been exercised; Mr. Hatfield pointed out that the interest rate on bonds would be only 2½ per cent. Your stock, I think, today is \$162.25. I can recall this same thing occurring with a company where the stock was \$17.50. When approval was given for the same type of proposal, where did the stock go? I think it is about \$37.25 now and that is the way your stock is bound to go. If parliament passes this application it will involve immediately an increase in rates for Ontario and Quebec. The stock in my opinion will go from \$162 to \$200 and they will split from 8 to 1. That is what happened in 1928 when they increased the stock from \$75,000,000 to \$150,000,000. It is the duty and the function of the Board of Transport Commissioners to get out and investigate the operations of this company of their own volition. The board has failed to do so. I think the way this company is conducting its affairs would indicate that a 100 per cent increase in the capital stock would be sufficient but to go as far as is contemplated here would be going too far. It is certainly going to be a huge melon. I am out to help the consumer and as I say, I am not a socialist but far from it. I believe in fair play to the consumers but we are not getting it from this company. The company is, however, magnificent in the way in which it treats its employees and I do not want to be unfair. I do not want to see the company hindered if they are going to give service but I think it is out of reason to push this application sky high, and it means a monopoly forever in the province of Ontario. This great heritage of ours was not given to us to be

treated so lightly. We are holding it in trust for the future, but immediately we pass this bill it means an increase in the rates and I can tell you that there will not be any better service.

Mr. MUNNOCH: I will endeavour to answer some of Mr. Church's questions but I do not know that I clearly understand all he said.

Mr. HARTT: You will be a genius if you do.

Mr. MUNNOCH: I was going to say—

Mr. CHURCH: This is no laughing matter for the consumer.

The CHAIRMAN: Order.

Mr. MUNNOCH: I submit that the company was created by act of parliament of Canada and the parliament of Canada has not given the Board of Transport Commissioners any power to amend that which parliament itself passes. Therefore, since we are seeking an amendment to a law passed by this parliament we must come back to the source of our incorporation, to the body which created the corporation. We cannot do otherwise. With respect to the assertion by Mr. Church that this increase in capital will immediately mean an increase in rates I endeavoured to answer the question of an honourable gentleman who asked that a little while ago. The answer, as nearly as I can recall it, was that if the company gets this capital which it is seeking, and which we contend we need, as construction requirements call for \$30,000,000 or \$40,000,000 of it we will be able to put our program under way. We have to go to the Board of Transport Commissioners for Canada and satisfy the board that we are justified in issuing \$30,000,000 or \$40,000,000 or whatever it may be, and the board settles the price and conditions upon which that capital is issued. After that, we have the authority to go out, observing the blue sky laws and the other laws, to seek money from the people of Canada who have faith in the Bell Telephone Company. Mr. Church spoke of splits of 8 to 1. I remarked a few moments ago that the company had not made a split of 10 for 1 and it has not made anything I would consider a stock split or a cut of the melon, for every dollar or every one hundred dollars of capital authorized, capital stock that had been issued from 1880 down to today. The Bell Telephone Company has got \$119 in its coffers. And if you take a more recent period, back from 1929, it has got \$133 and a fraction; whereas the company has been getting a premium, there has been no split; the shareholder has not got anything except his shares he buys and pays for and the dividends he gets on his stock.

Mr. HATFIELD: What do you get on a split of one to five?

Mr. MUNNOCH: Whatever price is fixed by the Board of Transport Commissioners.

Mr. HATFIELD: And if they ask it of the board—

Mr. MUNNOCH: That means the best price it could get them for.

Mr. HATFIELD: Have they not always fixed that price below the market?

Mr. MUNNOCH: Yes, otherwise you could not sell them.

Mr. HATFIELD: What do you call a melon?

Mr. MUNNOCH: I do not understand what is meant by a melon unless it means something coming out of a company's coffers and into the shareholders' pockets; but nothing like that has happened here.

Mr. HATFIELD: It is coming out of the users' pockets of the telephone.

Mr. MUNNOCH: Well, we cannot help that.

Mr. HERRIDGE: In what country is the maximum of shares held, and the majority of the bonds?

Mr. MUNNOCH: In Canada, sir.

Mr. JAENICKE: I think we ought to arrive at some order of business in this matter. I do not think we should be jumping all over the place, or jumping from one place to another in the brief. I have made several marginal notes on which

I wish to ask questions and invite explanation, but it seems to me that the objection in the House to the bill was principally with respect to the large amount of increased capital which the company was asking for; and, in order for us to make any decision on that point, I think we ought to have the financial statement and the statement with respect to profit and loss account, and the amount paid on dividends since the inception of the company.

We have a very fine history of the company on the first page, running from page 1 to page 10 or 11, which gives the growth of the company by way of service; but I think we ought to have the same sort of history as far as their financial operations were concerned, because then we would be in a better position to judge whether or not the company is asking for more than they should get at this time.

I think that is the chief point and that we should confine ourselves, at first, to a consideration principally, of the financial situation. Perhaps the company now has figures which they might submit to the committee at this time. As to whether or not we can cross-examine on this question, it would be, of course, rather difficult to do so until we first see our printed minutes. But let us get a little more order into this cross-examination by taking one step at a time; and I suggest that the financial aspects and the history of the company, as far as its financial aspects are concerned, should be our first consideration.

The CHAIRMAN: Mr. Jaenicke, clause 1, subsection 1, is now being considered; and it has been said in this meeting that the brief be not read; what do you suggest? What do you wish to have, the financial statement or to consult them?

Mr. KNIGHT: I asked that very question a moment ago; I asked for the amount of assets.

Mr. JAENICKE: I think we should confine our cross-examination to the financial aspects of the company first.

The CHAIRMAN: Well, the representatives of the company are here and I understand they are quite willing to be cross-examined.

Mr. MUNNOCH: I have here the annual report for 1947. I have not prepared them all back to 1880. I have one volume here which contains the reports back to 1880; but that volume is one of the company's records. There are a few of these that I could distribute, though.

Mr. JAENICKE: Have you got enough for each member of the committee?

Mr. MUNNOCH: I have about twenty-five, and if I have not got enough to go around, I could get them for the next session and they would be here tomorrow.

The CHAIRMAN: Could you distribute them now? Gentlemen, what is your wish in connection with procedure? If you are ready to consider the financial end, as I have said before—

Mr. McCULLOCH: I think we had better start with something.

Mr. ROSS: I think we had better start with the bill.

The CHAIRMAN: We are considering clause 1, subsection 1. Are there any questions to be asked with respect to that?

Mr. McCULLOCH: I move that section 1 carry.

Mr. TOWNLEY-SMITH: Oh, no; that is all there is in the bill, and that is where the objection came.

Mr. MILLER: Is it the wish of the committee that we delve into all the financial ramifications of the Bell Telephone Company? As far as I am concerned, I do not think it has a great deal to do with what we are talking about today. Otherwise, we might be here far into the night, if we delve into the financial affairs of the company. It does not affect us in Manitoba, because we have a different situation altogether; but if the members of the committee want to do it, then we will do it. But if the majority do not want to do it, why then are we doing it?

The CHAIRMAN: It is up to the committee. Have you a motion? There is no motion.

Mr. MILLER: I move we proceed with the bill and that we do not go into the details of the financial standing of the Bell Telephone Company.

Mr. ROSS: Agreed.

The CHAIRMAN: The motion is that we proceed with the bill and do not delve into the details of the financial statement at this time.

Mr. JAENICKE: I object very much, because I have not had an opportunity to look at this statement. I understand there is a large amount of reserve held by the company which could very well be used in connection with their expansion. I think we ought to know about that in respect to these matters, and I submit they have a bearing on this question.

I am not prepared at this moment to cross-examine on the statement because I have just got it and I have not even glanced at it; but there are a few matters here I would like to ask the officers of the company about, in respect to their brief, if I may proceed, Mr. Chairman?

The CHAIRMAN: Well, there is a motion before the chair.

Mr. JUTRAS: Does it not follow that most of the above questions can be actually on the bill, under the various sections of the bill?

Mr. JAENICKE: Section 1 constitutes the whole thing.

The CHAIRMAN: Gentlemen, one at a time, please.

Mr. BOURGET: In the brief presented by the company we have all the details, and if we thought we had not we could ask questions of the representatives of the company. Otherwise, I think if we go into the bill, we will be discussing it for weeks and weeks and we will make no headway.

I have read a part of the brief and I feel it is very clear. And I think the suggestion made by Mr. Knight a few minutes ago that we should go on with the brief is the best suggestion. I think that will be the best way to go about our work; otherwise, I do not think we will make any headway. So I think we should go on with the brief and read it page by page.

Mr. JUTRAS: We cannot adopt a decision then change it and adopt another decision and then change it. We have discussed this point before. We have agreed not to read the brief, the whole brief. We did agree to let some questions be asked on the brief, and then we agreed to take up the bill. Now, we are supposed to be addressing ourselves to the bill. Let us talk to the bill.

The CHAIRMAN: Mr. Miller has made a motion.

Mr. HARTT: Mr. Jaenicke prefaced his remarks by saying: let us get somewhere, and then he immediately proceeded to propose how to drag this thing out for the next six years, in order to get somewhere. I submit that we should address ourselves to the bill which is before us, because that is what we are competent to deal with, clause by clause. We can say: now, why do you want this? We can ask questions and have those questions answered by the officers of the company; and if they cannot answer, then we can object and say: you must let us have that information.

But if we are to travel all over. This statement which has no value so far as parliament is concerned, we will be granting a bill on the merits of another document because when the bill is granted, you have no record other than the act itself.

If the honourable members are serious, and I think they are, they want the information, they can study the brief for themselves and deal with them as they arise. Clause 1 deals with the power of the company to increase its capital and with respect to the procedure of how to get it.

All we can ask is: did you call your shareholders? Did your directors approve of it? Why do you need the \$362,000,000 additional? Otherwise we are running around in circles.

The CHAIRMAN: No, I would take exception to that. We are dealing with clause 1, section 1 which has to do with the broad question of finances, and I think that all the question up to date have been quite in order; and I think that the members of the committee can confine their remarks to the broad question of an increase in capitalization, which is in subsection 1. We will deal with Mr. Miller's motion Now. All those in favour of it?

Mr. TOWNLEY-SMITH: Will you not let us hear the motion again?

The CHAIRMAN: Will you state your motion again, Mr. Miller?

Mr. MILLER: I simply moved that we proceed with a discussion of the bill and do not go into the financial ramifications of the Bell Telephone Company.

Mr. TOWNLEY-SMITH: No, that motion is no good at all.

Mr. HERRIDGE: We are dealing with a clause in connection with the finances of the company and I submit that every member of this committee has the right to ask questions and to get answers to those questions which are put here this afternoon.

The CHAIRMAN: I suggest that you change your motion, Mr. Miller: to proceed with the bill; because the rest of it is negative and would not be in order.

Mr. MILLER: So far as I am concerned, I just wanted this question to be decided. If you decide against it, it is quite all right with me. But it seems to that a lot of the argument raised here today should be raised when the company goes before the Board of Transport Commissioners for leave to issue stock. That is the time when a lot of these questions ought to be asked. I had that thought in mind when I made my motion.

The CHAIRMAN: That we proceed with the bill; all those in favour of the motion?

Carried.

Now, questions of a financial nature are quite in order under clause 1, subsection 1.

Mr. JAENICKE: Mr. Munnoch, on page 16 of the brief you said that 329,000 additional telephones have been put into service since 1945; 329,000.

Mr. MUNNOCH: Yes, sir.

Mr. JAENICKE: And at the top of page—or rather at the bottom of page 15, it says that it cost \$104,495,000. Does that cost include all the items of cost that go into furnishing a further telephone service, such as are outlined at the bottom of page 17?

Mr. MUNNOCH. The answer to your question is: Yes, sir.

Mr. JAENICKE: So, I figure out the cost at about \$317.60 to instal one telephone, according to these things, since 1945. Is that correct?

Mr. MUNNOCH: That means, incidentally, with equipment to make it operate.

Mr. JAENICKE: Yes, it includes all these items?

Mr. MUNNOCH: That is to operate the telephone.

Mr. JAENICKE: That is an operating telephone, and it would include right of way, land and buildings, central office equipment, station equipment, exchange lines, toll lines and all those things that are included?

Mr. MUNNOCH: Yes, sir.

Mr. JAENICKE: I figure that it would cost \$317.60. You can check me on that.

You also have some figures with respect to rural telephones on page 4, and you say that you provided for 30,952 additional rural services with an expenditure of some \$6,738,000 of capital funds for the extension of pole lines and wires alone. That would figure out about \$217 without the other items. What would you say would be the cost of installing a rural telephone with the other items, that is, with all the other items?

Mr. MUNNOCH: Mr. Macaulay might answer that question.

Mr. MACAULAY: Perhaps, if I go back to the previous reference there, sir, that three million odd dollar figure mentioned is abnormally low because at the end of the war in many cases we had facilities, wires and buildings and switch-board equipment that only required minor additions, and in some cases merely an instrument. So, we were able to give a very large number of services with the minimum of equipment. But now we have reached the stage where today our services require buildings and additional commodities; and the same thing applies with respect to the rural exchange. In the last couple of years we have been able to increase 60 per cent of the number of rural telephones or approximately 30,000 rural telephones at a relatively low cost. A large percentage of those additional rural telephones were added to lines already existing.

We regret to say that, generally speaking, we have now too many parties on each line. We are coming into the period where we have to build additional lines to serve not only the new customers but to relieve the overloading of existing lines. At the present time, the rural lines we are building are running in the order of \$500 a station.

Mr. JAENICKE: What do you mean by "\$500 a station"?

Mr. MACAULAY: That is the cost of the average lines we are building now for rural service. They are costing \$500 a station.

Mr. TOWNLEY-SMITH: Per telephone?

Mr. MACAULAY: Per telephone.

Mr. JAENICKE: What does the urban or city service cost now? You say there has been an increase in the price and you say the \$317 I suggested is not fair?

Mr. MACAULAY: I might put it this way; this year we are spending something in the order of \$80,000,000. We expect to increase the number of operative telephones by some 140 odd thousand, so that is around \$550 per telephone.

Mr. JAENICKE: Have you got a breakdown of that budget for this year, this \$80,000,000?

Mr. MACAULAY: We have it in the same detailed form as it is here.

Mr. JAENICKE: I mean page 17 covers the whole five-year total. Have you a breakdown of that for this year?

Mr. MACAULAY: Yes, sir. Mr. Munnoch has it.

Mr. JAENICKE: Would you read that?

Mr. MUNNOCH: Right of way \$233,000; land and buildings, \$11,060,000; central office equipment, \$20,135,000; station equipment, \$18,107,000; exchange lines, \$15,318,000; toll lines, \$4,504,000; general equipment, \$3,480,000.

Mr. KNIGHT: For what year is that?

Mr. MUNNOCH: For the year 1948.

Mr. JAENICKE: Land and buildings, \$11,000,000, did you say?

Mr. MUNNOCH: Yes.

Mr. JAENICKE: What land and buildings would you require to that amount to extend service to 95,000 phones?

Mr. MACAULAY: At the present time, we have some 200 buildings and, in nearly all cases, they are completely filled up and crowded. This year alone we require to start 50 building jobs. We have now some two hundred

buildings and with the expansion which is going forward today, not only to take care of the 95,000 delayed orders outstanding, but the current new demand on top of that, requires new buildings in many cases. In other cases, it requires the enlargement of present exchange buildings. This increase involves the completion of approximately 50 buildings which are already underway and the commencement of about the same number of buildings as will be completed this year being completed in later years.

Mr. JAENICKE: How many buildings have you now, altogether?

Mr. MACAULAY: About 200.

Mr. JAENICKE: What is this right-of-way?

Mr. MACAULAY: The right-of-way shown there is mostly for long distance lines. You may know that in earlier years all long distance telephone lines, generally speaking, were built along the highway. Presently we are constructing a good many cable lines for long distance circuits and we find it beneficial to buy a right-of-way across the country. This saves tree trimming and the expense which comes about through highway widening. We buy easements across the country to economize on the construction.

Mr. JAENICKE: What is the difference between central office equipment and station equipment?

Mr. MACAULAY: Central office equipment is the equipment located in the company building. Station equipment is located on the customer's premises and includes the telephone, switchboard, wiring plans, protectors, wire and so forth.

Mr. JAENICKE: On page 19, you give the facts and figures available in connection with the additional telephones installed during the years 1919 to 1928 and 1945 to 1947. Were there no installations during the 1930's and up to 1945?

Mr. MUNNOCH: That is an attempt to compare the period immediately following the first war with the present period immediately following the second world war; that is the purpose of the table on page 19.

Mr. JAENICKE: How do you arrive at this figure of 455,000 additional telephones in the next five years?

Mr. MUNNOCH: That is a long and complicated process, sir. We have our commercial department making continuous surveys of population movements, telephone construction projects, immigration and so on. It is a matter of experienced judgment, so far as you can make a judgment for five years ahead. We say that is what we foresee in the next five years.

Mr. JAENICKE: It is not based on the past five years?

Mr. MUNNOCH: No, sir.

Mr. JAENICKE: There would be very little expansion during the 1930's?

Mr. MUNNOCH: The 30's—that takes us into the depression period.

Mr. JAENICKE: There would be very little expansion at that time, would there not?

Mr. MUNNOCH: I imagine there would be comparatively little expansion.

Mr. MACAULAY: There were about three years in the early 1930's when we actually sustained a net reduction in the number of telephones. Other than those years we have always had a growth. It has always been growing.

Now, this figure of 455,000 telephones in the next five years: we now have about 95,000 orders which we have not been able to fulfil. The current new demand is presently running at 140,000 telephones per year. Therefore, the 455,000 estimate for five years is substantially lower than the going rate of demand.

Mr. JAENICKE: On page 19, you speak of capital obligations of the company. What are those capital obligations now? It may be in this book and I would not ask that question if I had had an opportunity of looking at this book.

Mr. MUNNOCH: On page 23, as of December 31, 1947, the common stock was \$126,420,900. Capital stock instalments, that is our last stock issued could be paid for in instalments which mature in June next, the final instalment, there is \$170,810. Our bonded debt is shown below that figure, and it amounts to \$81,065,104.43. We have since issued \$35,000,000 more of bonds.

Mr. JAENICKE: Your bonded indebtedness is \$81,000,000?

Mr. MUNNOCH: \$81,000,000 plus \$35,000,000.

Mr. JAENICKE: Where is the \$35,000,000 shown?

Mr. MUNNOCH: That is in this current year, after this statement was issued.

Mr. JAENICKE: Have you taken out more debentures?

Mr. MUNNOCH: Yes, \$35,000,000.

Mr. JAENICKE: What is your reserve at the present time? Where are your reserves shown?

Mr. MUNNOCH: The reserves are shown at the bottom of the page. The depreciation reserve amounts to \$108,691,477.88.

Mr. JAENICKE: Where is that shown?

Mr. MUNNOCH: Under depreciation reserve, about three-quarters of the way towards the bottom of the page.

Mr. JAENICKE: Near the bottom of page 20 of the brief, after stating that this vast amount of money, \$700,000,000 will be expended over the next decade, you say:

A substantial portion of it will, it is expected, be obtained from borrowings and other available sources to the company such as depreciation credit.

What other sources would there be besides depreciation credit?

Mr. MUNNOCH: There is undistributed profits, premiums on capital stock and so on.

Mr. JAENICKE: You apply undistributed profits?

Mr. MUNNOCH: Undistributed profits go back into the plant.

Mr. JAENICKE: Have you, in past years, applied much of these profits on the capital?

Mr. JOHNSON: The total surplus of the company is shown as \$12,214,921, which represents accumulated undistributed profits over the last seventy years. It has always been invested in the fixed assets of the company.

Mr. JAENICKE: \$12,000,000?

Mr. JOHNSON: That is the total shown under "Surplus".

Mr. JAENICKE: Now, going back to page 17 of the brief, you show an estimate for the expenses in the next five years. Would any of these items include any experiments or work in connection with the transmission of radio or television?

Mr. MACAULEY: Yes, sir, we already have some radio services under way. We have a number of prospective applicants. It is not an extremely active field, relatively. I do not just know how to discuss the experimental feature. It is experimental, perhaps, in that it is relatively new and the development has not stabilized; to that extent, it may be experimental. We have some three or four projects under way at the present time.

Mr. JAENICKE: I understand that about 20 per cent of the stock is held outside Canada?

Mr. MUNNOCH: Eighteen.

Mr. JAENICKE: Eighty some odd per cent of the stock is held in Canada?

Mr. MUNNOCH: Yes, sir.

Mr. JAENICKE: Have you any record of who holds that stock outside Canada?

Mr. MUNNOCH: At the head office we have a record of every stockholder.

Mr. JAENICKE: Is the American Telephone and Telegraph a stockholder?

Mr. MUNNOCH: That company is a shareholder.

Mr. JAENICKE: To what extent?

Mr. MUNNOCH: To 14·8 per cent.

Mr. TOWNLEY-SMITH: Out of the 18 per cent?

Mr. MUNNOCH: Out of the 18 per cent held outside Canada—it is actually 19·7 per cent held outside of Canada.

Mr. JAENICKE: Now, when you issue this new stock, your own shareholders will receive the first chance, or will it be put on the market? How will the company go about it?

Mr. MUNNOCH: Probably we will adhere to our past practice which has been very successful in disposing of stock. We offer it first to our existing shareholders.

Mr. JAENICKE: The American Telephone and Telegraph Company will, of course, be able to get its share of it?

Mr. MUNNOCH: They have not done so the last two issues. They would not take it.

Mr. JAENICKE: Now, that company has experimented successfully with television service in the United States?

Mr. MACAULAY: That is correct.

Mr. JAENICKE: Have you been in collaboration with them in connection with the experiment?

Mr. MACAULAY: What do you mean by "collaboration"?

Mr. JAENICKE: Are you working hand in hand?

Mr. MACAULAY: We are fully informed and are keeping abreast with the information. We have not specifically done anything in connection with television ourselves, but we are informed so we could proceed if required.

Mr. JAENICKE: They already have a relay station now, have they not, to transmit television waves?

Mr. MACAULAY: Yes sir.

Mr. JAENICKE: Have you heard of the recent application before the Federal Communications Commission, setting forth what that company is going to charge the broadcasters?

Mr. MACAULAY: No.

Mr. JAENICKE: This company has no influence on you in that respect at all?

Mr. MACAULAY: No, sir. So far as I can determine it, we are dealing entirely with conditions as we meet them in Canada. There are no television customers at the present time looking to us for service. If there should be, we would be in a position to go ahead, design a plant and give the service.

Mr. KNIGHT: Mr. Chairman, I should like to ask one or two questions. I shall not hold the committee very long. One of the gentlemen said that this money had been put up by the people who had faith in Canada and faith in The Bell Telephone Company. I should like to remark here that I am not sure those terms are synonymous.

I do not want to have on the record one or two things, for this reason; my objection to this bill is that I believe it hands over too great a capitalization

in one lump. I should like to ask this question, while I think of it. How soon will this company have to come back to parliament if it gets what it is after, an increase of \$350,000,000 in capitalization? How soon do the company's officers estimate the company will have to return to parliament for a medical check-up, if I may call it that?

Mr. JOHNSON: I find it rather difficult to answer that question. It rather leads us into the future, as to what future construction costs are going to be; as to what the general level of business will be and as to what the rate of our growth will be. We have tried to put down in our brief our estimates for the next five years. We feel confident that we will see those estimates exceeded. If they are exceeded, we will be back to parliament in a shorter time. If those estimates are under-run, it would take longer.

I do know that for this year, to finance our construction requirements for the year 1948, we have to have \$52,000,000 of new capital, of which \$35,000,000 was secured in February through the issue of bonds, plus about \$6,000,000 we carried over from 1947. Now, \$52,000,000 of new capital for this year would suggest to me—and let me say so far as I can see into the future our present level of construction seems to be indicated for many years ahead, but I do not want to be a seer or pose as such. I do not know what the future holds any more than my colleague knows. However, my guess is we are going to keep on this level of construction on which we are today for years into the future. It indicates that, so far as new capital is concerned, something in the order of \$52,000,000 or more per year is before us. Multiply 52 by 10 and we arrive at \$520,000,000 new capital, part of which would be secured from bonds and part from equity capital. I am afraid that is the best answer I can give you.

Mr. KNIGHT: I would suggest there is no man in Canada who can estimate it better than you. Would you not care to make a guess at the amount? You say you will be back in a shorter time?

Mr. HARTT: I do not think a guess would justify an answer to that question. I would not be influenced by a guess. I want to get the facts.

Mr. KNIGHT: Might I continue?

The CHAIRMAN: Yes, I wish you would.

Mr. KNIGHT: A gentleman suggested that those who had faith in Canada and the Bell Telephone Company had put up tremendous sums to make the building of this company possible. Would I be correct in suggesting that it was the people who used the telephone who put up this money?

Mr. HARTT: The people of Canada and the users of the telephone—it is all the same thing.

Mr. MUNNOCH: The people of Canada who use the telephone paid the cost of running it, but the shareholders put up the money to build the system.

Mr. KNIGHT: I am asking you, would I be correct in saying it was the users of the telephone who put up practically all the money shown in this balance sheet?

Mr. MUNNOCH: No, I say no to that.

Mr. KNIGHT: What proportion would you say?

Mr. MUNNOCH: \$12,000,000.

Mr. KNIGHT: I should like you to tell me just what the assets of the company amount to at the present moment or, at least, at your last balance sheet?

Mr. MUNNOCH: The total assets shown on the asset side of our balance sheet for 1947, the items being all set out there, amount to \$379,251,372.50.

Mr. KNIGHT: Does that include an amount for the assets in any subsidiary companies?

Mr. MUNNOCH: Only the stock, the amount we have paid for the stock we hold in subsidiary companies.

Mr. KNIGHT: My objection of course to this great increase of capitalization is that the company is too big now. I would like to have a comment from some of the officers of the company in that regard. I would like to ask if it is true whether or not this company has become virtually a monopoly in the provinces of Ontario and Quebec and if not, to what extent it has become a monopoly.

Mr. HARTT: By the nature of the business of the company, it must be a monopoly.

I remember we had two light, heat and power companies in Montreal and we had several transport companies by way of trainways and the people, the consumer, and the users, were the ones who paid for it.

Can it be imagined by this committee that if we had in Montreal five or six telephone companies, and for example, I wanted to call, via my telephone to a subscriber or to a person who received service from another telephone company—if that would be possible—who would pay for this multiple organizations?

The word monopoly has always been shoved in. Now, a government is a monopoly and we do not object to it, and a telephone company by the very nature of its organization it must be a monopoly. I wish this company could extend its services right across Canada, because when I go to any part of the country I get uniform service.

Mr. HATFIELD: It has.

Mr. HARTT: Not unless my honourable friend has information which I have not.

Mr. KNIGHT: I will have it when he answers your question.

Mr. HARTT: The honourable member says: the reason I object it is. In the back of his mind and he objects, whether the reasons are sound or unfounded. Is he objecting because some people had the foresight to build this company? The way I am speaking today, people would think I am the owner of the Bell Telephone Company. I wish I were; but I have not a share in the company, nor have I got the means to buy one.

Mr. KNIGHT: Could you get any, anyhow?

Mr. HARTT: If I had the money, I could go on the stock market. It is a public-owned company, and it is the first company I have seen which has offered—

Mr. HATFIELD: Election funds.

Mr. HARTT: I suppose you would refuse it.

The CHAIRMAN: Order, order.

Mr. HARTT: It is the first company I have seen that has given nearly \$1,000,000 worth of shares to its employees. Every worker in the Bell Telephone—oh, I should have said sold—it has given its employees the privilege of buying its shares and it sold them below the market price. For example, when Bell Telephone Company employees come in to repair a telephone—and they are very loyal to the company—you may question them and ask: Why are you so loyal to the company? Their answer is they are treated right and get privileges such as shares at \$95 when the shares were selling on the market at \$180 or \$195.

Mr. MUNNOCH: Not \$95 because we cannot sell below par.

Mr. HARTT: Well, at par when the market price was \$185.

Mr. KNIGHT: I was wondering if this discussion was in order, and if not, I might have a further answer from the witness.

Mr. HARTT: Well, I still have the floor. I wish my honourable friend would not talk about the company so unfairly.

Mr. TOWNLEY-SMITH: No, you are the one who is talking for the company.

Mr. HARTT: I assure you, if you can show me—

The CHAIRMAN: I would remind you that Mr. Knight has the floor. I was a little lenient with the speaker, but I would like Mr. Knight to finish his questions and then we can proceed.

Mr. KNIGHT: It is so long since I asked my question that I have almost forgotten what it was.

Mr. MUNNOCH: The honourable gentleman asked whether it was true that the Bell Telephone Company was virtually a monopoly. If you mean by monopoly that, in the territory where we happen to serve, we are the only telephone company, if that is what monopoly means, then we are. But in the territory which we, in part, undertake to serve, which is the province of Ontario and Quebec, there are 923 other telephone systems and practically all of them, except for a few out of our territory that connect with us, are long distance lines.

Mr. KNIGHT: I would like to ask you this question. You are an expert. How long—how big does a company grow before it becomes unwieldy from the point of view of management; or does it ever, in your opinion?

Mr. MUNNOCH: That is a rather difficult question to answer. We still think we can manage the Bell Telephone Company through its officers and we think we will be able to do so if we get its capital extended.

Mr. KNIGHT: The witness said, some time ago—I am not going to speak of the users of the telephone as apart from those people who have put money into it in shares from their saved up capital. Would that sum amount to \$12,000,000? The witness answered that was the amount of money which, if the company had been a co-operative one, would have been returned to the people who had initiated the company—I am not clear on that; I do not think your figure is quite right. I think it is too low, myself.

Mr. MUNNOCH: I am sorry sir, but I do not know anything about co-operative telephone companies, or how they would operate.

Mr. KNIGHT: I did not expect you would answer the question.

Mr. STEPHENSON: You insinuated that you did not think he would answer. I submit that is uncalled for.

Mr. KNIGHT: What I meant to say was that I did think that the question was within his capacity to answer.

Mr. POULIOT: Mr. Chairman, I want to know from the company if they propose to enter into the television field, that new field, before giving a good service of communication by voice?

The CHAIRMAN: I think that would come under section 4, Mr. Pouliot, later on.

Mr. HATFIELD: I would like to ask the witness if they have any connection with the Western Electric Company.

Mr. MUNNOCH: The Bell Telephone Company has no connection with the Western Electric Company.

Mr. HATFIELD: Has the Bell Telephone Company any connection with the Northern Electric?

Mr. MUNNOCH: Yes, we have the controlling interest in the Northern Electric Company.

Mr. HATFIELD: Does not Western Electric Company control Northern Electric?

Mr. MUNNOCH: No, sir, they have a minority interest in Northern Electric.

Mr. HATFIELD: As you said before, you sold \$52,000,000 of bonds last year. Did you have any trouble last year?

Mr. MUNNOCH: As to the \$35,000,000 worth of bonds which we sold last year; no, we sold them the whole lot of them.

Mr. HATFIELD: At what interest?

Mr. MUNNOCH: Three per cent.

Mr. JOHNSTON: Three per cent on last year's, and $3\frac{1}{4}$ per cent on this year's.

Mr. HATFIELD: What dividends have you paid your shareholders, your stockholders?

Mr. MUNNOCH: We pay \$8 on each share.

Mr. HATFIELD: That is, 8 per cent.

Mr. MUNNOCH: We pay \$8 on each share, which would be 8 per cent if related to par, and as related to what the shareholders paid for the shares.

Mr. POULIOT: On the question of monopoly, I would like to know what are the ramifications of the Bell Telephone Company in Canada, and what are the telephone companies in Canada who are entirely independent of the Bell Telephone Company?

I understand that nobody can answer that question from memory, but on the other hand, I think it would only be fair to give the committee a list of the companies in which the Bell Telephone has some interest, and of the companies, the other telephone companies in which the Bell Telephone Company has no interest. That would answer fully the question put by Mr. Knight a few minutes ago.

We must have a broad view of the picture. It is impossible to have it otherwise; and we must have that list. Then we may proceed to an intelligent discussion of the whole business.

The CHAIRMAN: Could that list be supplied?

Mr. MUNNOCH: I can read a list of telephone companies in which the Bell Telephone Company has a controlling interest, but there are 903 telephone companies in the provinces of Ontario and Quebec. I have not the names of them. If the question could be answered by reading this list of those in which we only have a controlling interest, I would be glad to read the list.

Mr. POULIOT: I do not wish to impose that upon you, but I would like to have a list which may be supplied later on. It would be easy for you to telephone to Montreal and have that list tomorrow.

Mr. MUNNOCH: A list of the whole 900 odd telephone companies in which we have no interest, or just the ones in which we have an interest?

Mr. POULIOT: Two lists, one list of the companies in which the Bell Telephone Company has a controlling interest, and then another list of telephone companies in which the Bell Telephone Company has no interest whatever. If the Bell Telephone Company could provide us with a third list, a list of the companies in which the Bell Telephone Company has a certain interest; but not a controlling interest, there would be three lists. First, a controlling interest; the second, an interest that is not a controlling interest; and third, no interest at all. Then we would know where we are going.

Mr. MUNNOCH: I would like very much to be able to answer that question which Mr. Pouliot has put. I am prepared now to give two of these lists, but it is going to take a lot of research to procure the names of the other telephone systems in Canada, because there are 900 alone in Ontario and Quebec, where we operate. I do not know; we might have to go to the Bureau of Statistics or elsewhere to get the record of the others.

Mr. POULIOT: No, no. That is a thing which should have been supplied to us with the brief of the company. We are now in the fog. We do not know at all what we are discussing, and this would be the only way to have it in black and white. It is an easy thing to do and it should have been done before.

I submit that the reason which has been given; that it would take a long time, is no excuse. It has been mentioned for a long time that the committee would sit here; and the company had all the time available to prepare that list. That is an intelligent way to work.

Moreover, I did not like the remark of the witness; that we should go to the Bureau of Statistics.

Mr. MUNNOCH: I did not say you should go. I said we would go.

Mr. POULIOT: It may be the Bureau of Statistics of the company which should have done the job. We are not here as clerks, but as members of parliament, and I think the witness has said one word too much. I am not going to stand for it as a member of parliament. I submit that with a matter of this magnitude, a list giving some information which would help us in our work should be provided. It is not for us to do it. It is for those who come before us to ask for something. They must be ready.

We are in the position of judges who see barristers come before them, counsel, who have not prepared their cases well.

We have a memorandum here, but it is drafted strangely, in a strange manner, so much so that Mr. Jaenicke had to refer to the pages going forward and backward, and refer to other pages all mixed up. I want something clear.

I am not prejudiced against the company. I am open-minded, but I want the work to be well done; and I would say that, considering the amount of money involved, which is nearly as much as the Canadian National Railways, I think the Bell Telephone Company deserves some credit for the service that has been given to a certain extent, but there are black spots. I live in one of them, where we have an awful service.

There must be some improvement, and I feel shocked when I hear about millions to be spent for television when we cannot speak to each other over a distance of a few miles and understand each other well. We must start at the beginning and lay a good foundation. In that manner we will be the best of friends and the country will have the company and the company will make progress.

May I suggest to the witness that we are not rubber stamps here, but we are entitled to have full information and intelligent information and we want it to be given in an intelligent manner. The company has been so successful in many ways, we think they should have no excuse for not conducting themselves in the manner prescribed.

Mr. MICHAUD: Following those remarks, I think, perhaps we should ask the witness to let us have three lists of the things he said he has in his possession. One was the list of companies in which they have no interest at all. Now, if that is the case, I see no reason for this flurry of temper because you cannot expect the officers of this company to have the names of all the telephone companies in which they have no interest whatever.

Mr. POULIOT: Opinions are free.

Mr. TOWNLEY-SMITH: A rumour has gone around that the company intends to use some of this capital to build a line or lines south in order to by-pass the lines presently worked in the prairie provinces. That concerns the western members very, very much, and I would be happy to have one of the witnesses assure me categorically that that is not the case.

Mr. JOHNSTON: I would be glad to assure you, sir, that we have no intention of owning property at all in the United States. Our property is in Canada. We have close and amicable relations with the three prairie provinces. We must have, in order to have telephone service from Halifax to Vancouver, if it is going to be successfully carried out, as it is today. There is no intention on the part of our company to by-pass those three prairie provinces for whom we have a high regard.

Mr. POULIOT: If I might be permitted to add to what I said a moment ago: Mr. Michaud has said it would be unfair to ask the company for a list of telephone companies in which they have no interest. Well, I will drop it. I will be a good prince, a grand seigneur, and I will drop it. But I do insist upon having a list of the companies in which The Bell Telephone company has the controlling interest, and another list of companies in which it has some interest, but not the controlling interest.

The CHAIRMAN: That clears the air, gentlemen. We will have Mr. Munnoch answer the question.

Mr. MUNNOCH: First, I would like to say to Mr. Pouliot, that I am sure he must have misunderstood my remark, if he took from it that I suggested that this committee should go to the Bureau of Statistics. I thought I said, or I intended to say, that that was where the Bell Telephone Company would have to go.

I would not suggest any such thing to the committee or to any member of parliament, because I am here as a witness.

Mr. POULIOT: That is finished, sir.

Mr. MUNNOCH: But I can give you a list of the companies in which the Bell Telephone Company of Canada holds the controlling interest. There are fourteen of them.

9. *Other Subsidiary Companies:*

The Bell Telephone Company of Canada owns a majority stock interest in the following other companies:

1. The Southern Ontario Telephone Co. Ltd.
2. The Woodbridge & Vaughan Tel. Co. Ltd.
3. The Eastern Townships Telephone Co.
4. The Welland County Telephone Co. Ltd.
5. La Cie de Telephone de Kamouraska.
6. Ingersoll Telephone Co. Ltd.
7. La Cie de Telephone de Charlevoix et Saguenay.
8. Farmers Telephone Co.
9. La Cie Canadienne de Telephone.
10. Urban and Rural Telephone Co.
11. La Cie de Telephone d'Yamaska Ltee.
12. Le Telephone Labelle Ltee.
13. The Chapleau Telephone System Ltd.
14. The North American Telegraph Co.

And now, the list of companies in which the Bell Telephone Company has a minority interest:

1. Maritime Telegraph & Telephone Co., Ltd.
2. Atlantic Utilities Limited. Participating dividend rights of which Bell Telephone Company owns.
3. The New Brunswick Telephone Company Limited.
4. The Bonaventure & Gaspé Telephone Company Limited.
5. The St. Martin's Telephone Company Limited.

Mr. McCULLOCH: What interest have you in the Maritime Telegraph and Telephone Company, Limited?

Mr. MUNNOCH: We have 7.4 interest.

Mr. McCULLOCH: In the Atlantic Utilities Limited?

Mr. MUNNOCH: 5.9 per cent.

Mr. MICHAUD: And what interest have you in the New Brunswick Telephone Company?

Mr. MUNNOCH: 48.5 per cent.

Mr. HARTT: Could the witness prepare a statement showing the capitalization of each company and the number of shares or part interest the Bell Telephone Company holds by in each of these companies, and in the same way show if the Bell Telephone Company of Canada have any administrative control in any of these little telephone companies? I have serious reasons in asking for this information, because the service out of Montreal is not what is it at home.

Mr. HATFIELD: I see on page 17 of your brief that you have down here \$26,000,000 for toll lines.

Mr. MUNNOCH: Long distance.

Mr. HATFIELD: Do you propose to tell this committee that you intend to spend \$26,000,000 out of \$362,000,000 on long distance lines?

Mr. MUNNOCH: Those are the figures, and they are correct.

Mr. HATFIELD: Where are you going to stop? Where are you going to spend the rest of the money?

Mr. MUNNOCH: For central office equipment, land and buildings, right of way, and so on.

Mr. HATFIELD: What service does that give to the public, to the people who use your telephones? That is the trouble with your company, your long distance lines are no good. I use the long distance telephone more than you people do and I say that is where you fall down, in your long distance telephones. You have no circuits.

Mr. HARTT: I can see that the last speaker—

Mr. HATFIELD: You want to spend a lot of money in Montreal and some other places.

Mr. HARTT: Could the witness answer this question: what is the difference between the increase in capitalization by way of bonds, debentures and common stock?

Mr. MUNNOCH: You mean, in principle, sir?

Mr. HARTT: Yes, and interest.

Mr. MUNNOCH: The principle, or the difference in the principle?

Mr. HARTT: Why is it that Bell Telephone Company prefers to increase its capital by way of common stock instead of in debentures and bonds?

Mr. MUNNOCH: Yes, sir.

Mr. HATFIELD: Because they cut a melon.

Mr. MUNNOCH: You can only borrow so much money, and then the money lenders say, "No". If you get into debt then you are not a good risk.

Now, there are two alternatives. There are two ways in which a company can finance a new development. The first is by issuing capital stock, as every company must originally do, by somebody subscribing to shares.

Then you may reach a point where you might have enough bonds that you could borrow on by way of security. And it is important that you keep those two things in something of a balance because, if you borrow too much, you cannot borrow any more, and you cannot issue any stock because nobody will put his money into your business.

But if you keep that reasonably balanced, I mean, roughly, one-third debt capital and two-thirds equity capital, then you can, if you need money in the future—you can find money in stocks or bonds and you can market them.

Mr. HARTT: Do you mean that the money lenders such as the banks and the institutions that we have throughout the Dominion would not trust the Bell Telephone Company with half a billion dollars where you ask this parliamentary committee to approve your application and you say; although the large banks

and lending institutions will not lend to us, because we would be on the danger list, we expect to come to your citizens and get that supply of money. It would be equally as big a risk as if the lenders gave it to you.

Mr. MUNNOCH: Yes, sir. If you borrow money, the day comes when you have to pay it back; and if you continue to borrow on the terms of having to pay back, then the day comes when you are faced with re-financing.

What will money conditions be like twenty years from now? If a good bond issue is made today, you do not know, but when people put their money into a company as shareholders, the company does not have to pay it back until such time as it comes to liquidation and the shareholders get what is available to reimburse them for their investment.

The CHAIRMAN: I am sorry to interrupt this interesting discussion, but it is practically six o'clock. I would like to have your reaction as to whether we should continue to discuss—

Mr. HARTT: Will I be the first one?

The CHAIRMAN: Yes; you have adjourned the debate, so shall we meet tonight.

Mr. HARTT: Yes; let us get through with this now.

The CHAIRMAN: We could meet at 8.30 if that is the wish of the committee? Carried.

The committee adjourned.

EVENING SESSION

The CHAIRMAN: At the adjournment, Mr. Hartt had the floor and was asking questions. We have not forgotten you, Mr. Hartt.

Mr. HARTT: Mr. Munnoch, before we adjourned, I asked you what was the objection to financing the Bell Telephone Company or any other company by way of debentures and bonds? Why do you prefer the common stock form of financing? So you will not be taken by surprise, you answered that, if you borrow money, meaning if you finance by way of debentures, you have to pay it back. It is a liability. Whereas, with common stock, you do not have to pay it back, in all events, until liquidation. In your statement of affairs, Mr. Munnoch, you assume the money which you are raising through common stock is a liability?

Mr. MUNNOCH: That is perfectly true, common stock is a liability.

Mr. HARTT: If the one is a liability and the other is, equally, a liability, what would be the objection to borrowing the money for capital investment by way of common stock they have no experiences in huge financial matters and usually invest money on the recommendation of a broker or someone else? The public has no recourse. They cannot sue the company for their shares. The company has no power to buy the shares back. Do you not think this is rather unfair to the public?

Mr. MUNNOCH: I would answer this, that there is nothing to compel any member of the public to buy any shares in The Bell Telephone Company. They buy those shares either because they think it is a good investment or because they have reasons of their own for wishing to have an interest in the company.

Now I was attempting, before adjournment, to answer your question and had partly answered you. May I complete what I was about to say then? A company has only two means open to it for raising new capital when it needs it. It issues stock and acquires, through that, members in the company who have

purchased outright an interest in the company or a share or a series of shares; that is one way of raising capital. The other way of raising capital is by issuing bonds or debentures or debt obligations.

I was trying to make a distinction between a stock investment and a bond investment. A bond investment is a debt, a debt which is made by contract and which the debtor, in this case the company, agrees to repay at a specified time together with interest at a specified rate; that is a contractual obligation which is made with every kind of bond.

Now, in stock, the stock purchaser buys an interest in the company. The only obligation of the company towards that shareholder is that it will give him his fair share of the profits in the shape of dividends and, if the company should be liquidated, he is entitled to his pro rata share of whatever assets are left after the contract creditors have been paid in full. So, you have that distinction. With the debt obligation the company has to agree to pay the principal back and to pay the interest, whereas with the stock obligation the company does not agree to pay back the investment, it agrees that the shareholder will have his pro rata proportion of all of what assets are left in the event of liquidation after the bondholders have been paid in full. There may be nothing left and, in some bankruptcies there is nothing left for the shareholder. As a matter of fact, it is rather unusual when anything is left.

Taking the ordinary basis of debtor and creditor, I think it is obvious to all of us that the lower a company's debt obligations are, the better its credit position is. I think any of us would rather lend money to someone who had assets and no debts than lend money to someone who had assets but who had charged those assets with previous debts.

Now, the importance of maintaining a credit position for a company is very well demonstrated in the position in which The Bell Telephone Company finds itself now. It hopes, if this bill is passed, to be able to raise very substantial sums of new capital. If our credit position is good, that is if we have not mortgaged everything we have to the hilt, we can get people who are interested in making an investment in the company, in purchasing a share, in the hope they will get their dividends and, eventually, participate in the operations of the company.

At the present moment, taking into account the bond issue we made late last year, the company's debt ratio, that is the relationship of its bonded debts to its total capitalization, the capital stock plus bonds, is 41.6 per cent. The Bell Telephone Company thinks that, in order to maintain its credit over a long period of time, our debt ratio ought to be about one-third of our total capital obligations. I do not mean by that that it is consistently at one-third. A bond issue tomorrow will increase the debt ratio and a stock issue will decrease it. However, over a long-time average, we think about one-third debt obligation to about two-thirds equity capital, that is the issue of stock, is the correct average.

As I have mentioned, borrowed capital has to be repaid and bonds are usually issued for—well, as long a term as you can get if you feel the interest rate is good, say twenty years. Who knows twenty years from today whether you can get bond money at the same rate you can get it today? You may have to pay 5 or 6 per cent twenty years from now, so you are taking something of a gamble as to how you are going to refund these bonds.

Then, if the debt ratio gets up too high, two things happen. You get to the point, where if you have all your money in bonds, people will not buy more bonds from the company. Not only that people will not buy shares because the claim of the bond holders has priority over the claim of the shareholders. It is a very serious thing to borrow too much money because when you get to that point you cannot borrow more and you cannot sell stock. No one will buy it. That would be a very disastrous thing for The Bell Telephone Company who is here seeking this new capital for the sole reason of carrying out its obligations to the public. If we borrow too much we cannot raise all the money, but if we borrow

only some money and get new investors to put money into the Company as shareholders, we think we can carry out this program. It is important to properly balance your debt ratio. It means another thing. The company, as market conditions indicate advantages, can borrow money or issue stock. You have the two alternatives instead of being limited to one. On the stock issue question I might remind you, sir, that we cannot make any issue of stock without getting the Board of Transport Commissioners to approve the amount, the price, and the terms or conditions. I hope that answers the question.

Mr. HARTT: That answer is theoretical. It is company financing which is of general knowledge and you have stated the truth. You have no assets at present to guarantee a new issue of \$350,000.

The CHAIRMAN: \$350,000,000.

Mr. HARTT: Yes, \$350,000,000.

Mr. MUNNOCH: We have assets over and above the amount of our bonds. Our bonds are \$102,000,000 and we have some \$200,000,000 worth of assets.

Mr. HATFIELD: \$379,000,000.

Mr. HARTT: Your total assets are \$379,250,000.

Mr. MUNNOCH: Yes sir.

Mr. HARTT: All right. You are saying to this government "we are going to your people to get \$350,000,000—this is a Canadian owned company—and we have no assets except the prospect of asking the people of Canada to give us \$350,000,000 and we will expand our company and we will then have the prospect of doing a big business; we will earn a lot of money and we may pay dividends, but we owe you nothing if we fail"—according to your own statement. The government by giving you this charter is authorizing you to go to the Canadian people who have no conception of financing, to get their money on a prospect and I say this with all due respect to your company and I think a lot of the company.

Mr. MUNNOCH: Our assets, according to the balance sheet are \$379,000,000.

Mr. HARTT: Quite.

Mr. MUNNOCH: Of those assets we have pledged to our bond holders some \$102,000,000.

Mr. JOHNSTON: If you are quoting the \$379,000,000 you must quote the other figure.

Mr. MUNNOCH: These are December 31, 1947 figures but we have pledged those assets or given those assets as security for \$81,000,000 worth of bonds so we still have assets available there to stand behind the shares. If we get this new capital what are we going to do with it? We are going to turn it into new buildings, new plants, new equipment, which again will be assets to support the investment of the shareholders.

Mr. HARTT: I noticed you are using the future tense. You have \$105,000,000 with which to guarantee the assets of your company to the bond holders.

Mr. MUNNOCH: Yes.

Mr. HARTT: But for your present shareholders you have not got enough assets in the event of liquidation to pay them back at a ratio of \$163 a share, which is today's market value.

Mr. JOHNSON: Might I point out what the shareholder has for protection is the par value of his stock in the balance sheet, plus the surplus of the company, —\$12,000,000, plus \$24,000,000 paid in as premiums by shareholders.

Mr. HARTT: How many shares have you issued altogether?

Mr. JOHNSON: 1,264,000.

Mr. HARTT: That represents how much?

Mr. JOHNSON: \$126,420,000 as of the end of last year.

Mr. HARTT: You have bonds for \$105,000,000?

Mr. MUNNOCH: According to this figure it is \$81,000,000.

Mr. JOHNSON: I could express it to you simply, sir, by saying the net worth of this balance sheet as at the end of last year in \$129 for every \$100 share outstanding. That is the net worth representing the par value of the stock as shown on the balance sheet plus what belongs to the shareholders, being \$24,000,000 approximately, which shareholders paid into the treasury of the company when they bought the stock, in addition to the \$100 par value, plus the accumulated profit over seventy years' operation.

Mr. HARTT: Well.

Mr. JOHNSON: Those figures average out to \$129 for every \$100 share outstanding.

Mr. HARTT: Would you say each share would yield \$129 at the moment of a forced sale?

Mr. JOHNSON: No, sir.

Mr. HARTT: I am just talking about the interests of the public. I may be an investor too, but you are selling these shares and I want to know, in the event of a forced sale, what the result would be? Take the International Telephone and Telegraph, when they sold their holdings in Spain they got \$14 a share and the shares were selling for \$35 on the Stock Exchange. When the company was confiscated in Rumania they got \$5 a share; in the case of South America the president ran down and sold the stock for practically nothing before there was another revolution.

Mr. JOHNSON: I hope we will not be faced with that situation here.

Mr. HARTT: You will not, with the present government.

Some hon. MEMBERS: Hear, hear.

Mr. HARTT: What I am saying, sir, is that you have the \$129 which the shareholders have invested, let us say they are widows—and you will remember what happened in connection with the Montreal Light, Heat and Power. There was an expropriation and it was called the widows' and orphans' stock. I know what happens to the people when there is an expropriation—and mark you there it was in good faith—but the shareholder had nothing. Even if he has a \$129 par value share the bonds are guaranteed, and with your assets you are saying to parliament "give us authorization for \$350,000,000. All that we have is now guaranteed by way of bonds and other assets, but if you give us that authorization we can get \$350,000,000 from the public of Canada because that is the object." You have nothing to offer them at the moment but you will take their money.

Mr. JOHNSON: That is venture capital, but I think it is the responsibility of management in this country to see that the shareholders' money is protected and I think this company has successfully done that very thing for the past seventy years, and I would expect that the management would continue to do so in the future.

Mr. HARTT: I am satisfied with that answer. You stated, or Mr. Macaulay stated this afternoon that each telephone set cost the company \$317.16 in urban centres.

Mr. JAENICKE: Those are my figures.

Mr. MACAULAY: That figure was the result of dividing the expenditure on construction over the past three years into the increased number of telephones.

Mr. HARTT: Can you break down that set of figures?

Mr. MACAULAY: It now costs \$550 per telephone set increased telephone.

Mr. HARTT: Can you break down these figures and tell us why it costs you \$550 per telephone?

Mr. MACAULAY: We can break that down by the accounts that Mr. Munnoch read. We have it allocated by major classes of plants, plants and buildings and central office equipment, and we have the line charge—that is all in the major breakdown I think Mr. Munnoch read into the record this afternoon. I think I might say with regard to Mr. Munnoch that what he read into the record this afternoon was an estimate for this year and that was made last October. It was seventy-three million seven, and the figure that I mentioned this afternoon was approximately \$80,000,000, which is higher than the forecast we made last fall and also includes a larger number of telephones than we did last fall.

Mr. HARTT: Now, another point is the cost of instruments, the cost of service, the amount the subscriber has to pay. These are things I am trying to get and that is why I am asking you to break them down. To me a telephone is a piece of wire, a central and a receiving set; and I cannot figure every time I get hold of a telephone that I am holding \$550 in my hand. That is why I would like to have it broken down.

Mr. MACAULAY: Well, sir, that is the construction cost, the gross construction cost this year, what we are putting in, the plant divided by the number of telephones that are going into the increase.

Mr. HARTT: Do you mean, sir, that you take all your capital fixed assets including buildings, including machinery and all that you require for the operation of a large number of telephones and divide into all the assets of the company including buildings and say that is what each instrument costs you?

Mr. MACAULAY: At the moment the plant we are building up—the present plant that we now have, which is the result of construction over a great number of years, mostly at price levels very much lower than the present, averages \$250 for each telephone we now have operating; so that when you take up a telephone now you actually are handling \$250 of plant behind each telephone; but the new ones that are coming in at the present levels are costing somewhat over \$500 per instrument.

Mr. HARTT: You own a building in Montreal? I do not know if you own it?

Mr. MACAULAY: We own a number of buildings.

Mr. HARTT: The building where the Bell Telephone is situated.

Mr. MACAULAY: You mean, our headquarters?

Mr. HARTT: Yes.

Mr. MACAULAY: That is right.

Mr. HARTT: Is the cost of that building divided into the number of instruments?

Mr. MACAULAY: That is the total cost, the plant.

Mr. HARTT: It is?

Mr. MACAULAY: Yes.

Mr. HARTT: So that actually that is not the cost of the instrument itself?

Mr. MACAULAY: Oh, no.

Mr. HARTT: \$550.

Mr. MACAULAY: Oh, no, no.

Mr. HARTT: All right. Now, you have an increase in the sale of 100,000 telephones the cost per instrument will go down, won't it; the cost of buildings will spread over a larger number of phones and so on?

Mr. MACAULAY: No, it is going up, because, as I explained, at the present time practically all of our building space is fully occupied and congested. We are also renting a lot of space outside, but in order to make further installation of

central office equipment we now have to expand building space and construction of buildings.

Mr. HARTT: Who makes your telephones?

Mr. MACAULAY: You mean the sets?

Mr. HARTT: Yes.

Mr. MACAULAY: Northern Electric.

Mr. HARTT: They are manufactured by yourselves because you own the control of that company?

Mr. MACAULAY: Yes.

Mr. HARTT: What do you pay the Northern Electric Company for each telephone?

Mr. MACAULAY: Well, there are various kinds of sets. The set you see down there on the desk is a dial telephone and that costs something under \$20.

Mr. HARTT: You pay them \$20?

Mr. MACAULAY: Yes, sir.

Mr. HARTFIELD: What is the Western Electric? What sum does the Western Electric get out of that?

Mr. MACAULAY: None.

Mr. HARTFIELD: Don't they have a price on that?

Mr. HARTT: He said there is no connection.

Mr. JOHNSTON: The Western Electric Company are partial owners, they have a minority interest and to the extent that the Northern Electric pays dividends they get their share.

Mr. HARTT: The instrument costs \$20. You take a city like Montreal where the houses are in close proximity—now, I do not know how many telephones you put on one line—but if you multiply those in a situation of that kind, surely in a situation like that in Montreal it can't cost you \$550.

Mr. MACAULAY: I am giving you the average figure for the company.

Mr. HARTT: How much do you pay per telephone for copper wire? I would like to know. I may be getting too thin, but you say it costs \$550 for a telephone. Your company, a company like the Bell Telephone Company of Canada has cost accountants and they could give me this information; because what I am trying to compare is the amount of money the subscriber pays for his service. I think I have submitted to you that the \$350,000,000 which you are going to get is by virtue of a charter that this government will grant to you, because you have no other assets except very little to guarantee the income of the company on \$350,000,000. I think I made that clear. My second point is that I wanted to get the ratio and the proportion of the cost of operation, to the cost to the subscriber. Your company is as prosperous as it is because it is well administered—and I am willing to admit it is; is that the reason, or is it because it is charging too much to the subscribers? These are the things I want to know. Now, if you put in the figure that it cost you \$550 a telephone you are entitled to ask—your present rates—I do not know what you are asking per month; but if a telephone costs you \$20, and you are getting, what is it. \$7 or \$8 per telephone per month—you are getting paid for that telephone in about two months and a half. What I am driving at is this, it is a public utility, and that is why we are allowed the privilege of asking these questions. We do that downstairs, too. What is the actual cost per instrument? Does that include, for instance, operating expenses? I do not know what salaries you pay. Do you include those in the cost of these instruments? Then, you are entitled to charge for services. The present rate. If you don't pay \$500 for each instrument, it would cost you less, why do you charge the subscriber so much?

Mr. MACAULAY: I think, sir, I should explain that in the capital account, or the plant account, we are talking about the plants required to make a telephone operate. It is not only the instrument but the wiring, the conduits, the cable, the staff, the power plant, the long distance lines and a lot of other things. There is \$250,000,000 of plant.

Mr. IRVINE: And you divide the number of telephones into that and you get your \$550, is that it?

Mr. MACAULAY: That is about \$250 at the present time with the plant overloaded and a lot of people on party lines, buildings filled up; but with the present higher price level to bring relief to these facilities it is going to cost somewhat more than double the present investment per telephone.

The CHAIRMAN: In other words, that is the unit cost, in which there are many factors of cost including the various items Mr. Hartt mentioned.

Mr. HARTT: Buildings, for instance.

The CHAIRMAN: It is not the actual telephone and the wire. It is the over-all unit cost.

Mr. HARTT: Posts, lands and the right-of-way, and so on, all the details. You include the building cost and you tell me you have got \$42,000,000 worth of buildings as part of the cost of each telephone?

Mr. MACAULAY: That is right.

Mr. HARTT: Bricks, mortar and paint are also telephones?

Mr. MACAULAY: And the automobile.

Mr. HARTT: It is a fixed asset.

Mr. MACAULAY: Yes.

Mr. HARTT: What is the average life of a telephone?

Mr. MACAULAY: Oh, they vary, say 17 years.

Mr. HARTT: Seventeen years?

Mr. MACAULAY: Yes. That is the physical life on the average. They have three life cycles in different locations.

Mr. HARTT: What do you charge the subscriber for a business telephone in cities? If you have the details I will take them.

Mr. MACAULAY: They vary by exchanges. Maybe Mr. Munnoch has that more conveniently. An individual line in Montreal is \$7.

Mr. HARTT: And if you have two lines?

Mr. MACAULAY: Two party residents—

Mr. HARTT: No, two lines to the same address.

Mr. MACAULAY: \$7 each.

Mr. HARTT: And if that is multiplied by three or four it is still \$7 each?

Mr. MUNNOCH: For an individual business line it is \$7 a month.

Mr. HARTT: Even if they have a switchboard?

Mr. MUNNOCH: A switchboard is a different basis.

Mr. HARTT: What do you charge for a switchboard with, let us say, three lines?

Mr. JOHNSON: Have you got the tariff?

Mr. HARWOOD: There would be a price on the switchboard and on the trunk. In Montreal each trunk would be \$8.75, and the switchboard would be \$11, \$12 or \$15 a month depending on the type of board and the number of extensions off it.

Mr. MACAULEY: The rate is built up by a number of different components, so much for the trunk line, so much for the switchboard, so much for each extension off the switchboard.

Mr. HARTT: How did you come to charge a figure of \$7, let us say, for a business telephone in the cities?

Mr. MACAULEY: That is Montreal.

Mr. MUNNOCH: And Toronto.

Mr. MACAULEY: That is in accordance with the tariff that was developed back in 1926 to secure revenues at that time to meet expenses and pay the return approved by the Board of Transport Commissioners.

Mr. HARTT: How did you come to decide that \$7 would be sufficient? Why was it not \$10 or \$5?

Mr. MUNNOCH: May I answer that and point out to you that in the judgment of the Board of Transport Commissioners, which was handed down near the end of 1926, and in which our present rate base was established after a long and protracted hearing, the various exchanges which the company operates were divided into groups dependent upon the number of telephones served in each exchange. Exchanges having over 100,000 telephones were put in rate group 1. Those from 20,001 telephones to 50,000 were put in rate group 3. There was no rate group 2. From 10,001 to 20,000 in rate group 4, from 5,001 to 19,000 in rate group 5; from 2,001 to 5,000 in rate group 6; from 1,001 to 2,000 in rate group 7, from 501 to 1,000 in rate group 8, and 1 to 500 in rate group 9. The rates for those groups varied according to the size of the exchange, the principle being that the larger the exchange the more valuable the service was to the subscriber because he could communicate with more people. In rate group 1, which has the largest number of telephones, the business rate for an individual line was fixed at \$7. In rate group 3 at \$5.50; in rate group 4, \$4.75. These are Montreal charges. Rate group 5, \$4.25; rate group 6, \$3.75; rate group 7, \$3.25; rate group 8, \$2.75, and rate group 9, \$2.50. In arriving at those figures the Board of Transport Commissioners for Canada had taken into account the company's operating expenses, the interest it had to pay, and all other operating costs, and set those rates divided among these different groups on a basis that would yield us enough revenue to enable us to carry on business efficiently.

Mr. HARTT: Did you ask in your petition to the Board of Transport Commissioners that these groupings be created and the charges be made accordingly, or did they come to this conclusion after your petition has asked for more money or less money?

Mr. MUNNOCH: We asked for more money than we got. The board reduced and varied a number of rates. Some of the rates we had put forward were supported. Others were changed.

Mr. HARTT: I notice here that if an instrument cost you \$550 with service and everything included, instrument, installation, operation, \$550, it takes you 73 months and you collect the cost of the telephone.

Mr. MUNNOCH: But we have to operate it as well.

Mr. HARTT: I do not say you do not. You are not operating at a loss. May I finish my question? I do not want to embarrass you, I assure you. I just want information. The subscriber pays you \$7 per month.

Mr. MACAULEY: Some of them, some \$1.50.

Mr. HARTT: Nobody pays you \$1.50.

Mr. MACAULEY: Yes, sir.

Mr. HARTT: In Montreal?

Mr. MACAULEY: Plenty.

Mr. HARTT: I am talking of Montreal. You get \$7 per month and in 73 months your instrument is paid for, including the buildings, including your operation expenses, because the Board of Transport Commissioners would not have given you an amount less than what it cost you to operate the company.

In 73 months you are paid off not only for the instrument and for the service and the running expenses, overhead, taxation, debts, liabilities, but you are paid up even for part of the building. You will notice I am correct.

Mr. MUNNOCH: I disagree with you there because if you take all your revenues and apply them to capital what are you going to pay your operating expenses with? How are we going to pay our operators, our installers, our workmen?

Mr. HARTT: I submit to you if you get \$7 a month that amount of money is supposed to represent the capital investment, interest. In any event, whether it does or does not, if a telephone costs you \$550, which is the maximum amount, not \$315, you have got it paid in 73 months. However you want to apply it, to capital or just to running expenses, you have paid for your instrument in 73 months, and people continue in perpetuity to pay you \$7 per month when you have no further outlays.

Mr. MUNNOCH: We have to maintain the lines. We have got to maintain the lines. We have got to pay the staff. We have got to have coal to heat our buildings. You are not applying any of our revenue to operating expenses. You are setting it off against capital.

Mr. MARIER: And you pay something for repairs?

Mr. MUNNOCH: We have to pay for repairs. Let us take a very simple example. If you wish to buy a house or agree to buy a house and take all your earnings and use them to pay for that house what would you live on in the meantime?

Mr. HARTT: The answer is this. I believe you don't understand me, perhaps it is my fault, but you told me that when you went to the Board of Transport Commissioners to ask for an increase in 1926 and asked for some extension they divided it into groups and categories and said, "We will let you have in certain cities, because they are getting more advantages, \$7 per month," and they scaled that down?

Mr. MUNNOCH: Yes.

Mr. HARTT: By adding up all the figures you can get an average?

Mr. MUNNOCH: Yes.

Mr. HARTT: Let us say the average is \$5 or \$4. If the average is \$4 then the instrument is paid back in 5 or 6 or 7 years because—let me finish—you say this amount was supposed to cover running expenses.

Mr. MUNNOCH: The rates are supposed to cover running expenses, not reimbursement of capital.

Mr. HARTT: I am not talking about reimbursement of capital at all. I say now what is the public getting from The Bell Telephone Company and what is The Bell Telephone Company getting from the public? What I am after is to induce you, if I can, to go to the Board of Transport Commissioners and say, "Our instrument costs us \$550. We reduce the rates by 25 per cent because the instrument pays for itself in so many years." This is what that gentleman meant by cutting melons. Is that what he meant?

Mr. JOHNSTON: The only melons the shareholders have received ever since the company has been a company has been the regular dividend that the company has declared.

Mr. HATFIELD: Now, now.

Mr. HARTT: I agree with you, Mr. Johnston.

Mr. JOHNSTON: Never at any time has a shareholder of The Bell Telephone Company received from the company in the last seventy years anything but the dividend which is declared and that dividend at no time has been above \$8 a share, and what the shareholders put into the treasury of the company has not been \$100 for each share, but an average to date of \$119.

Mr. HATFIELD: If they bought the share for \$119 and sold it for \$162—

Mr. HARTT: I have been too long in the practice of law to pay any attention to the last statement. It was not a question of cutting a melon; I was only speaking jocularly. Is there a possibility in the expanding of the company to reduce rates or service? I am trying to substantiate it by showing you that your instrument is paid for, including all your overhead, running expenses, poles, pillars, wires and everything you like, in seventy-three months. Why not the subscriber—not only the investor—get benefit?

Mr. JOHNSTON: Except that we have to send out bills each month and that costs money and we have to pay clerks to accumulate the charges and see that all these bills are collected and accounted for.

Mr. HARTT: Is not that included in your petition to the railway commission?

Mr. JOHNSTON: All our expenses are submitted to the Board of Transportation Commissioners whenever we make an application. The last one was in 1926, and the schedule of charges scaled down from \$7 for a business telephone in Montreal to, perhaps, \$2 for a small town or village. Summated and calculated it produced what the Board of Transportation Commissioners estimated to be the annual revenue our company needed to pay its traffic department employees who are the operators, its plant employees who maintain the plant, its engineering employees who devote their time to operating the company and all the clerical employees; the balance that is left being set aside for taxation, and after that balance what is left being set aside to meet the interest on the company's obligations estimated in what remained to be sufficient to pay a reasonable dividend to the shareholders. Now, those rates were developed on that theory. There should be enough money left after all expenses to meet the company's fixed charges and to give a reasonable return to the shareholders of the company.

Mr. HARTT: Correct. I agree with you, but I say that on this basis—I have taken the \$7 rate per month and I have reduced it to \$4—now, \$4, let us say, is the average—I do not know the number of telephones at \$550, you have in operation but in 110 months at \$4 per your company has received repaid for all the investments that I have enumerated—

Mr. LAFONTAINE: No, no.

Mr. RINFRET: The instrument itself has not been paid for.

Mr. HARTT: Here is your obligation: How much do you need to pay for your capital investment both in interest, dividends and repayment capital? Here is The Bell Telephone Company with its cost of administration, its insurance, management, superintendents, depreciation and the railway commission says to the Bell Telephone: "If you get paid at the rate of \$4 per month you will not continue to have as many telephones and to receive payment in each case and your company will operate successfully." That is what they say and you admit it. I take your figure and I say that \$550 is the cost of an instrument. I accept that. I scale it down from \$7 per month to \$4 and create an average and I will prove to you that \$4 divided into \$550—the cost of \$550 takes in your buildings, administration costs.

Mr. JOHNSON: That is all part of the telephone plant.

Mr. HARTT: Yes, that is all part of the telephone plant and also the administration.

Mr. JOHNSON: Oh, no.

Mr. MACAULAY: The \$4 the customer pays is consumed each month in operating expenses. There is no provision for repayment of capital.

Mr. HARTT: The capital remains permanent. You do not claim repayment of the capital when you apply to the railway commission, to establish rates?

Mr. MACAULAY: Just the interest.

Mr. HARTT: Conversely, there is deterioration in the plant and you are asking the Canadian government to authorize you to get \$350,000,000, and you say nothing about guaranteeing the repayment for that.

Mr. JOHNSON: There is depreciation. That plant is estimated to run for twenty years on a comparative depreciation rate of 5 per cent. That is part of the annual expense that is covered by the average of \$4.

Mr. HARTT: One last question. I know that from knowledge of other industries the greater the production the less the overhead and possibly the greater profits, and on this basis prices may be reduced. Under this theory is it possible that with the expansion of the Bell Telephone Company to the extent of three times its present size that service rates be reduced? And more particular since you have introduced automatic telephones you have no cost for operators—?

Mr. MACAULAY: We have more operators now than when we started.

Mr. HARTT: You have more telephones.

Mr. MACAULAY: We have more operators.

Mr. HARTT: You have more revenue, too.

Mr. MACAULAY: Yes.

Mr. HARTT: Now, if you increase your business, over and above the service that the Canadian public get at present the greater income will reduce your overhead which in turn will reduce the interest to a lower rate?

Mr. JOHNSON: That is possible, yes.

Mr. HARTT: All right. What security has the Canadian public who give you \$350,000,000 for its investment and also that the cost of its telephone service will be reduced? They have no means of checking with you or arguing with you.

Mr. MUNNOCH: They have the Board of Transport Commissioners to go to, which has jurisdiction over our rates.

Mr. HARTT: If I made a petition to the railway commission do you think they would call a board meeting to give me satisfaction?

Mr. MUNNOCH: I am certain they would deal with any application that is filed before them.

Mr. KNIGHT: I am going to ask only one question. Someone estimated the present value for telephones when you did that long sum in division, to be about \$500 at present prices. I would like to know what were the corresponding figures for the depression years, around 1930 to 1937? Could you tell me what the corresponding figure would be? You claim that the present price is \$550. What was the price from 1932 to 1937, all those years when prices were low rather than high?

Mr. MACAULAY: They are two figures that there might be confusion on. Outside of the plant investment that we now have, the average for all telephones is about \$250; in 1930 it was \$232; in 1931 it was \$247; in 1932 it was \$269; and in 1933 it was \$285.

Mr. KNIGHT: Will you give me now the lowest figure you have there which would correspond to your present high figure of \$550?

Mr. MACAULAY: I do not think we have ever had as high a figure as now.

Mr. KNIGHT: I admit that, but I want to know the lowest corresponding figure for those years when prices were lower.

Mr. MACAULAY: It has been lower all the way back. Our investment in 1911—thirty-seven years ago—was \$140.

Mr. KNIGHT: Pardon me. We got these high figures quite simply by dividing these tremendous assets by a certain number of telephones. You could do it by arithmetic for 1933 to 1937. Let me have that.

Mr. MICHAUD: He has given that.

Mr. KNIGHT: What was it?

Mr. MUNNOCH: \$230 for 1930; for 1931 it was \$247.

Mr. KNIGHT: My question is this: the amount that the company is asking is predicated on the need for a certain number of phones. Now, is that figure over the period of the next five years, whatever time this money is to last on the present high price of \$550?

Mr. MACAULAY: I would say yes, sir, that the estimates on construction we make are made on the current cost level.

Mr. KNIGHT: You are estimating, then, that this price of \$550 is going to keep up. In other words, you are estimating that the prices for each of these commodities which go into the cost of a telephone will not come down. This afternoon, no one would prophesy anything. Now, you see you are prophesying that these prices will keep up at the present high level. It would seem that the increase in your capitalization is based on that.

Mr. JOHNSON: Not prophesying so much, sir, as using the latest cost figures we have.

Mr. KNIGHT: You would be a wizard if you could keep track of a day to day prices in these times.

Mr. JOHNSON: We are using present day construction costs in pricing it out for the next five years which, I believe, is the only sound way to approach it.

Mr. KNIGHT: You are now asking for a capitalization to cover a number of telephones which you figure will cost you at the rate of \$550 per unit to put in over the period of the scheme, that is correct?

Mr. MACAULAY: Yes, or even somewhat more. I expect that the unit cost is likely to go up for several reasons which we did not bring out here. This year, we are still continuing to place an undue proportion of party line stations which means we are not putting in as much cable as we should. We are getting all the cable we can, but at the present time, with our present customers, we have 69,000 party lines for which individual line service has been requested. We will be unable to do that for several years in the future. As we do that, I expect the unit cost may increase above what it is this year.

Mr. KNIGHT: The position is this; if your cost goes down to \$230 within the next year or so, you will find yourselves, in terms of what you are asking for, in the position of having twice the amount you need, predicated on present costs?

Mr. JOHNSON: I think we can agree with that.

Mr. KNIGHT: Which means the company would not have to come back to parliament for twice the length of time, provided the costs do not stay high.

Mr. MUNNOCH: We cannot issue any of the stock without showing the Board of Transport Commissioners that we need this money for a specific purpose.

Mr. KNIGHT: We are interested in having you come back to parliament occasionally, you see.

Mr. PORTLIOT: I wish to have some information which I hope to obtain in a very friendly manner. I want the whole matter to be made clear in my mind. Here, I have the balance sheet and your report. I always admire the balancing to the cent. Those accounts give me the impression of an even balance. According to that report, the company has liabilities amounting exactly to the assets. Well, this is a way of speech, of course. I do not contend that the company is not solvent but on the other hand, I find it puzzling at times

that one cent more on the liability side would mean the company would have a deficit.

The president of the company, with his sense of humour, realizes that, sometimes, people will say the company is insolvent without having one cent more liability over its assets. If I understand what has been said by the president and by Mr. Munnoch to Mr. Hartt, the amount of approximately \$70,000,000 which may be spent in the coming years each year will be spent on capital expenditures and those capital expenditures will be a guarantee for the bondholders or those who buy stock. The same is true of the \$350,000,000 which the company wants to be authorized to acquire. Therefore, when the company has received authorization to borrow \$350,000,000 more, then the assets of the company will be \$350,000,000 larger. This has to be made clear so everybody understands the whole matter. The company may buy stock, too, although I do not know what the banks will think of it. However, that is the way it will go if parliament is willing to pass this bill.

Mr. MARIER: It will add to the protection of the bondholders.

Mr. POULIOT: Surely, the capital expenditure, provided it is made wisely, affords security and a guarantee to the bondholder. That being made clear, I want to know a little more about the future expenditures of the company to serve future needs. There have been many requests for new telephones and the company envisages the possibility of granting the requests of new subscribers; that is that.

Now, there is something else I wish to say and that is that the telephone system is not in the same condition everywhere. I wonder if the company has secured accurate reports about the deficiency of the system in certain parts of the country?

Mr. JOHNSON: Do you mean of our own service, sir?

Mr. POULIOT: Yes, sir, within your system.

Mr. JOHNSON: Well, we do not profess to be perfect. We do know, in certain spots of our territory, perhaps, the service may not be as good as in others. Wherever those cases come to our notice we take, I think and I hope, prompt steps to see that the service is brought up to the grade we consider acceptable and desirable. I do not know what particular part of the country you have in mind.

Mr. POULIOT: I will tell you in due course. You see, we are here to settle our business and it is easy to do so. I will tell you that there is discrimination against the rural centres and I will give you an example which dates back to the Christmas before last. I have a brother in Mexico whom I have not seen for many years. On Christmas eve I called the long distance telephone operator in Quebec and asked to speak to my brother in Mexico and I asked to speak to him at 12 o'clock noon. I was informed that the call was placed for 12 o'clock noon and I stayed in the house until 12 o'clock midnight as did my brother in Mexico, both of us waiting for the call. We could not speak to each other and we were told that there was a large number of calls in the city of New York and that Canada came afterwards. That is one example I give because I happened to witness it. A friend of mine who lives in Ottawa, and whom Mr. MacTavish knows very well, one day was in Matane and he called his daughter somewhere in New England and he could not get her that day. Those are just a few instances of the troubles we have in the rural parts. I have not had the privilege of meeting you before, sir, and I want to bring this to your attention. I know there are some other members of parliament that will come to my rescue and support what I say.

I give you that information before asking a few questions about matters which I desire information. I want to tell you that in Riviere du Loup the system is so old-fashioned that we hear the operator repeat the number—for

instance it is 246, 246, 246, and I do not know to how many operators the message must be conveyed but the system we have is a system that probably existed before Riviere du Loup existed. I wonder if there is not the possibility of having some improvement? We hear about new telephones which are to be given to new subscribers. It would only be fair to those who contribute and who pay subscriptions to the telephone company to have a better service. I do not complain of the operators and I do not complain of the manager. The manager is a new man but he is a smart young fellow, and the operators do their very best. I understand that the board or table is quite large for only a few hundred numbers, but sometimes the operators require to pull the cable from the edge of the board to the far end. I do not know the system but I have been told it is very antiquated and that is a thing that should not continue. It is nonsense, and I am sure that the president of the company, if spending a summer down at my home—a very beautiful country—would not tolerate the system for a minute. I bring the matter to the attention of the company and I ask the president whether the money he asks for is only for the expansion of the company or if a sufficient part will serve the needs of the old subscribers who have been badly served in the past.

Mr. JOHNSON: Your first question had to do with long distance service on Christmas day from Riviere du Loup to Mexico city.

Mr. POULIOT: Yes.

Mr. JOHNSON: I can assure you that if you had been living in the city of Montreal on Christmas day you would have been very fortunate if you had been able to reach Mexico on the long distance telephone within twelve hours. My own experience on Christmas day the year before last, in trying to reach San Francisco, was comparable. There is very heavy congestion on the lines, not only our own lines but in New York and all over the United States. Everybody has the urge to call somebody on the long distance telephone on Christmas day and the biggest day in our history usually falls on Christmas day. The lines are congested not only here but in all parts of the United States and Mexico as well.

Mr. POULIOT: I will take that for granted.

Mr. JOHNSON: Your next question was about our projected expenditures. Our future program for five years does take into account the rural areas and the modernization of the rural plants as well as expansion in the large urban centres. As evidence of that intention I think I can point to the fact that in the last three years approximately 8 or 9 per cent of our total new telephones have gone in rural areas. I do not know what the amount of money would be but it would represent a substantial percentage of the total spent in the last three years.

Mr. MACAULAY: It would be at least pro rata.

Mr. JOHNSON: In answer to your question regarding modernization I do not like to boast but I think we can safely say that we have the most modern plant today, in relation to our size, of any system in Canada. 70 per cent of our telephones in service operate from the most modern dial system. It is our expectation that the 70 per cent will be increased substantially within the next five years, taking in many of the smaller centres for conversion from their present systems, which frequently consist of the turning of a handle instead of the dial service.

Mr. POULIOT: Yes, but do we have to wait four or five years more for an improvement?

Mr. JOHNSON: I do not know about the particular locality to which you may refer but I think it is part of the Kamouraska company territory.

Mr. POULIOT: Yes.

Mr. JOHNSON: At the moment I could not give you any real answer without looking up the record and seeing what the program for the company is.

Mr. POULIOT: Would you please take a note of my request and write me a letter. I hope the answer will be favourable.

Mr. JOHNSON: You will hear from me, sir.

Mr. POULIOT: There is something else, coming back to the questions put by Mr. Harit. Is the telephone company rate uniform throughout the system?

Mr. JOHNSON: The rate charged by our company is uniform.

Mr. POULIOT: The subscription rate?

Mr. JOHNSON: The monthly rate or the monthly charge for service is uniform within the particular section to which the rate applies. As Mr. Munnoch said, our territory is divided into eight rate groups and the rate is based according to the size of the group. Within each group the rate is uniform. There is no subscriber able to have service at a lower rate than that laid down by the Board of Transport Commissioners.

Mr. POULIOT: Yes, but how do you arrive at the rate for each group? Do you put together all expenses, the capital expenditure—

Mr. JOHNSON: Not the capital expenditure.

Mr. POULIOT: The capital expenditure for the purchase of the instruments?

Mr. JOHNSON: Not in establishing the rates by each group. The last time that we appeared before the Board of Transport Commissioners we went there showing the amount of annual revenue we would have to receive in order to meet our operating expenses, our taxes, the cost of borrowed money, and the amount required to provide a balance which would represent a reasonable return to the shareholders.

Mr. POULIOT: Within the area?

Mr. JOHNSON: Within the entire company. Having arrived at that total amount, the amount was then divided out over these various groups and these rate schedules were arrived at. Eventually the result was a \$7 rate for a business telephone in Montreal a \$3 rate for a residence telephone in Montreal, reaching down to the lowest rate in the rural areas; as low as \$1.50 and \$1.75. The aggregation of those rates equal the total amount of revenue the company had to have at that particular time in order to meet its operating expenses, its depreciation on plants; it is maintenance of plants; it is taxes; it is cost of borrowed capital; and the amount which was considered to be necessary as a return to the shareholders in the way of profit for that \$8 dividend.

Mr. POULIOT: Therefore, Mr. Johnson, each group is an independent and a self-supporting unit?

Mr. JOHNSON: Not necessarily.

Mr. POULIOT: I was under the impression that you were calculating the total of operating expenditures and that you were dividing it by the number of subscribers in each group.

Mr. JOHNSON: That was merely in the over-all group in order to bring out an answer to a question as to the amount of capital expenditure which was needed to cover the company expansion, the average number of telephones that were going to come in in that year.

Mr. POULIOT: And you divided your whole operating expenditure by the number of telephones?

Mr. JOHNSON: Not the operating expenditure. There are two different features; one is the amount of capital that we require in order to pay for the construction of new plants and in order to satisfy the question that was asked we divided the expected expenditures for this year by the expected increase in telephones to arrive at the average for each telephone, which worked out to \$500

to \$550. That is one side of the picture. The other side is where I was dealing with the annual revenue of the company and what it should receive in order to pay all of its expenses and leave a reasonable return.

Mr. POULIOT: Your calculations are similar to that of the grain dealers in futures, quite similar. Well now I can't understand the difference of rate between each group. What is your element of difference between the charges of various groups?

Mr. MUNNOCH: Mr. Pouliot, if I might answer that question. In determining telephone rates an attempt is made to evaluate the value of a particular service in a particular place. In cities like Montreal and Toronto, which are two of the largest exchanges, you can reach more people by telephone without paying a long distance rate than you can in any other place; therefore, the value of the service there is greater because you can reach more people by means of it for a flat monthly rate. When you get down to the smaller exchanges where you can only communicate with one hundred or two hundred or five hundred people, the service is not the same value, therefore it is rated at a lower rate by the Board of Transport Commissioners.

Mr. POULIOT: But the long distance call has nothing to do with the rate at all.

Mr. MUNNOCH: Nothing to do with the rate at all, no.

Mr. POULIOT: Therefore there is no reason for that difference in the subscriptions for local calls and long distance calls. The long distance calls are self-supporting.

Mr. MUNNOCH: Well, the point is this, that the company has treated as a whole single operating unit the places where the service is of more use to the subscribers, they are charged more than is charged in smaller places where the subscriber can make less use of it. Surely you will agree, sir, that if you have a telephone in your house and can only speak to 50 people it is not worth as much in service as though you can speak to 1,000 people or 10,000 people.

Mr. POULIOT: Now, you have given me the answer. Now, according to what Mr. Hartt has been talking about, if you divide the \$550—there is \$20 for the instrument itself—what is the balance, the \$530?

Mr. MACAULAY: I don't happen to have a breakdown accurately.

Mr. POULIOT: No, approximately. I do not want it like the balance sheet of the company, to a cent. I will be satisfied to have it in broad figures. There is the installation cost and there is the wire, and the poles and so on. I would like to have an analysis of the \$550. I know \$20 of the \$550, so there is \$530 left of that amount which has been mentioned by the company. It wasn't Mr. Hartt who discovered this cost of the company.

Mr. HARTT: No, I am not that smart.

Mr. POULIOT: You are smart.

Mr. HARTT: I knew you would not let me down.

The CHAIRMAN: Are you ready now, Mr. Macaulay?

Mr. MACAULAY: Mr. Chairman, I would ask if I might do this overnight.

The CHAIRMAN: Is that satisfactory, Mr. Pouliot?

Mr. POULIOT: Pardon me, sir?

The CHAIRMAN: He said that he would prefer to figure it out and give us the answer at our next sitting.

Mr. MACAULAY: What would you like, this year or the last five years—this year?

Mr. POULIOT: Make it the best you can and I would be satisfied with your answer, because you have a nice face.

Mr. CHURCH: Mr. Chairman, I want to call the attention of the committee to one or two things. We have been hearing from the province of Quebec pretty

nearly the whole day and we have not heard from the province of Ontario. The province of Ontario is going to be concerned with the very large percentage that Mr. Munnoch has been referring to. I want to point out some facts about it. The city of Toronto opposed the Bell Telephone Company when an application was up some years ago. We had the support of the Ontario government. I do not see them represented here today.

As one of those coming from the province of Ontario I wish to point out certain facts about this particular application. I am glad there has been a stenographic report made today. It will help to clean up a lot of misunderstandings about the company and about this bill. I do say this in all fairness to the consumer who is going to pay a large percentage of this melen cutting, that we have no mandate, I have no mandate, and I received no mandate in 1945 from my constituency to support a bill like this which creates a vaster monopoly than there has been in our province.

I wish to point out at the time this bill was before us before, the city of Toronto spent a very large sum of money examining the books of the company, which is a well conducted company, one of the finest companies from the point of view of administration under private ownership in this country.

I wish to say that at the time the Board of Railway Commissioners met here in Ottawa and decided that as a commission they had no jurisdiction over subsidiaries of this company a bill was introduced into the House of Commons when I was in the House by the member from Toronto South, Mr. Geary, giving the Board of Railway Commissioners, now the Board of Transport Commissioners, jurisdiction over subsidiaries of this company.

At the present time what have we got? We have spent a very good day getting facts. The facts have been given in the proper way instead of garbled reports in the newspapers concerning those who were opposing this bill when we rose in the House as members of parliament and asserted our rights and functions and privileges to ask questions about this particular bill. We were ridiculed by nearly the whole public press of Canada, and garbled reports were sent out which I objected to in the House of Commons at the time. I do not blame the company for it, far from it. There are a lot of very public spirited men in the company who have given splendid service. I wish we had more similarly public spirited men.

I wish to point out some facts for the benefit of the committee when jurisdiction was given over subsidiaries. The Bell Telephone Company directors have 52 per cent of the Northern Electric stock. The Telegraph and Telephone Company of New York has 47 per cent of the Northern Electric stock, and the directors of the Northern Electric have only 1 per cent of their stock. The employees have no stock in this company.

You have had a long discussion today. I do not wish to speak more than two or three minutes, but I wish to say that I have no right to bind the province of Ontario to a monopoly like this for the next fifty years. If this matter had been discussed in the 1945 elections not many of the members coming from the province of Ontario would be here today. That is what I have been objecting to about our province, that when you look over the House of Commons today you will find that members from our province do not stand together like those from British Columbia, the prairies, the maritime provinces and Quebec. A great many of the members from our province have not the courage to assert their rights and privileges as members of the House of Commons.

I want to say that so far as this bill is concerned I have no mandate from my constituents, nor has any member from the Toronto district or from the province of Ontario. I am surprised at the attitude of some of the members from the province of Ontario representing the party to which I belong. I, myself, am a reformer but I am the only true blue Conservative left in the House of Commons. I am a really true blue Conservative. Because a person calls himself progressive

does not make him progressive. I have been really progressive, but I am too modest to claim any title like that.

I remember when I came down here with Sir Adam Beck, that much beloved man who redeemed our province from Power slavery. We would never have had any street railway system in Toronto if it had not been for the fight we made against the notorious over-capitalization of the deal known as the purchase of the Toronto street railway, and the Toronto Electric Light Company for \$32,000,000, a plant that was not worth \$5,000,000 or \$6,000,000. We had to meet the same opposition then of five of the six Toronto papers.

I am objecting to over-capitalization of this company, and I say this in conclusion, that I believe that the day has not been spent in vain, that we have learned something as to the facts about this company. I notice a great change in some of the newspapers to what they used to be. They are not the same today as they used to be. I can tell you this, that this stock I predict will go to \$200 and be split eight for one, and there will be an almost immediate application for an increase in rates. I believe that to be true. I believe that is what is going to happen. In conclusion, gentlemen, those are my views, and while I am a Conservative first, last and all the time, I am not one of those who call themselves progressive but are not progressive.

Mr. STEPHENSON: In reply to that I want to say that I am a Progressive Conservative—

Mr. CAMPBELL: What does that mean?

Mr. STEPHENSON: I will tell you.

Mr. KNIGHT: A contradiction.

Mr. STEPHENSON: It means taking the best out of the future and keeping that which is best out of the past. I should like to say that listening to the debate in the House and looking it over I see that even those people who may have some objection to this bill are willing to admit that it has some good features. I notice one statement here by a member of the C.C.F. party. Mr. Nicholson of the C.C.F. party said in the House:

Let me make it clear at the outset that I have no personal fault to find with the Bell Telephone Company. The service they have given me and my family while we have used it has always been of a very high order. Some of my friends have been employed by the company over a period of years, and I have never heard any criticism of their labour relations or the working conditions.

Mr. HARTT: I agree with that.

Mr. STEPHENSON: I submit that is a true picture of the Bell Telephone Company. I may say in my own town I have no objection to the rate that is charged. They give good service. A company that has built itself up and is giving service across the provinces of Quebec and Ontario is deserving of great credit. I think possibly we are trying to learn about the organization of this company but at the same time when they are subject to the rulings of the Board of Transport Commissioners in practically everything they do then do we in this committee mean to say we have no confidence in this independent board that the government has established to review the work of this company? I might go on to say that there are some who have said that this company may grow to such an extent that it would be hard for some government to take them over. We must not forget that that may be some peoples' view, but I do say that when this company is under the supervision of the Board of Transport Commissioners that possibly we are wasting a good deal of time here. I may say I have every confidence in the decisions that the Board of Transport Commissioners may make with reference to this company, and I certainly would subscribe to this increase in capitalization.

Mr. HATFIELD: I have no objection to an increase in the capital or getting more money, but I do object to the way they are doing it. I think if they sell \$175,000,000 worth of stock then they should be able to sell \$175,000,000 worth of bonds at 3 per cent and not tax the users of the telephones. I should like to ask on what basis did you intend to sell this stock when you made this application? Did you intend to sell it at par, \$100 a share, or at the market price, \$162?

Mr. MUNNOCH: We expect to sell it at the best price we can get that the Board of Transport Commissioners will approve.

Mr. HATFIELD: But how much money? You must have some idea what you are going to sell it for.

Mr. MUNNOCH: We do not know what the market is going to be, sir.

Mr. HATFIELD: You know what the market is today.

Mr. MUNNOCH: We know what it is today, but we do not know what it will be when we go to sell this stock. We are not going to sell it all at once.

Mr. HATFIELD: I should like to ask you what guarantee this parliament has that you will not go down into some province and try to get control of some other telephone company the way you did in the 30's in New Brunswick. You sent a man down to New Brunswick to try to get control of the New Brunswick Telephone Company. You got 48 per cent of the stock. You raised the stock from \$12 a share to \$20 a share, and then you stopped. What guarantee have we got that this money is not going to be used for that purpose?

Mr. MUNNOCH: In the first place, the construction program that we foresee and for which we hope to get this amount of money is for our own system as now extending in the provinces of Quebec and Ontario. Now, the other question as to the price of stock in New Brunswick—we did not fix that price; it is the investors who bid for the stock who fixed the price.

Mr. HATFIELD: You paid for the stock. You had a man down there to buy the majority of the stock. You said before the adjournment that you did not want a monopoly. When you were authorized—the last authorization you got from the Board of Transport Commissioners in the thirties—you used the money for that purpose, to buy a monopoly and monopolize the New Brunswick Telephone Company. You got a monopoly in that stock.

Mr. JAENICKE: He should know that. How did you buy that interest in this company?

Mr. HATFIELD: I am quite aware of how you did it. I know the man who purchased the stock—his authority.

Mr. MUNNOCH: Well, at page 2 of our brief, sometime back in the early 1900's, about 1890, I think it was, we had a pretty full control in the province of New Brunswick and we sold out our interest to the New Brunswick Telephone Company. It is true we retained some stock.

Mr. HATFIELD: You bought it back in 1930?

Mr. JOHNSTON: It was 1929 or 1930; there was some stock bought. We were always stockholders of the New Brunswick Telephone Company as the result of our sale of the property in 1889 or 1896 when the New Brunswick Telephone Company Stock was bought at various times, and I think some was bought in 1930, which increased the amount of stock we already had.

Mr. HATFIELD: You authorized a man to buy it in to get control of the New Brunswick Telephone Company. I know the man. He has now passed away and I cannot bring him here to give evidence. He told me all about it. I sold my stock after it got up to \$20. Why did you do that? You said you did not want to have a monopoly.

Mr. JOHNSTON: I think the record shows we have not got a monopoly; we have not got control of the New Brunswick Telephone Company.

Mr. HATFIELD: I do not know whether you have or not; you control it. The Northern Electric may have the balance; you have 48 percent.

Mr. JOHNSTON: I think I can say quite definitely that the control of the New Brunswick Telephone Company is held as between Nova Scotia and New Brunswick from our recollection of the last annual report by something like 5,000 shareholders in the two provinces. They are the ones who hold the control of the New Brunswick Telephone Company. I may say that the Bell Telephone Company has no desire to control the New Brunswick Telephone Company.

Mr. HATFIELD: You put a manager down there to manage it.

Mr. ARCHIBALD: Mr. Chairman, I am looking at this balance sheet and I see series B, a long term debt which paid 5 per cent interest. When was that bond issue floated?

Mr. JOHNSTON: Was that in the report?

Mr. ARCHIBALD: Yes, it is on the balance sheet.

Mr. JOHNSTON: That was the issue that was redeemed in March of 1947.

Mr. ARCHIBALD: When was it floated?

Mr. JOHNSTON: In 1927. It happened to be a thirty-year security maturing in 1957 and callable in 1947.

Mr. ARCHIBALD: Now, there is another, series E, maturing on March 1, 1957. When was that floated?

Mr. JOHNSTON: March 1, 1947, and it was due to the proceeds of that issue that we were able to redeem the \$30,000,000 5 per cent bonds, series B.

Mr. ARCHIBALD: In other words, over a period of twenty years the charge on borrowed money has dropped 40 per cent. This one was floated in 1917 and dropped 3 per cent. That is a drop of 40 per cent on the charge of borrowed money.

Mr. JOHNSTON: That is on a particular issue of bonds.

Mr. ARCHIBALD: Now, this gentleman with the white hair here said they would go out maybe in ten years and borrow some more money and the rate of interest might go up. Over a period of years the rate of interest has constantly fallen, the charges on borrowed money are falling.

Mr. JOHNSTON: Might I answer that? If you take the history you will find the same kind of money was being loaned at the beginning of this century at about 3 per cent. If you follow the history of the cost of money over the last fifty years you will find that from the beginning of this century up to about the middle twenties the cost had risen from 3 to 5 per cent. From the middle twenties up to today it had the reverse action. I am not the one to say it is going to turn and move in opposite direction from here on.

Mr. ARCHIBALD: Now, according to the last dividend you paid on this common stock you are going to issue like what is issued now, how much did \$100 give? Not the \$160. What did it pay?

Mr. MENNOCH: Every share paid \$8 last year.

Mr. ARCHIBALD: \$8 on the \$100.

Mr. MENNOCH: On whatever you paid for; one share, \$8.

Mr. ARCHIBALD: How much would it be at \$100?

Mr. MENNOCH: If you bought it at \$100 it would be 8 per cent.

Mr. ARCHIBALD: If you went out and borrowed the money you could borrow it for 3 per cent, but if you float it you have to pay 8 per cent; therefore the man who owns the telephone has to stand the rap. Certainly you cannot put it any other way.

Mr. HARTT: It has fluctuated.

Mr. ARCHIBALD: It is fluctuating; my foot! You can go out and get money for 3 per cent today and if you issue stock you are likely to pay 8 per cent.

Mr. JOHNSTON: If you take our record for last year, we issued stock for \$140, which, at the \$8 dividend, represented a cost of 5·7. The year before we issued stock at \$145, which at 8 per cent represents the cost of 5·3. It is true that in the same year we could have borrowed money at 3 per cent, but there is a difference between the shareholder and the bondholder: one is a creditor under a definite contract of lending his money at a fixed rate of interest that we undertake to pay him back on a given date; the other is the purchaser of the part of a business and he is in that business with all the risks that that entails, the risk of losing his money, of not getting his 8 per cent, of getting no dividend at all. That is the risk he himself carries.

Mr. ARCHIBALD: I would suggest that this company has come before us and stated they are a responsible company. That is the whole basis of what it is asking for. I suggest that they would have no difficulty in issuing further bonds today at a lesser cost to the individual man who is buying a telephone, and substantiate the argument you are trying to drag out—

Mr. HARTT: That is not on the same basis.

Mr. ARCHIBALD: I am not interested in the shareholders; I am interested in buying a home.

Mr. JAENICKE: In connection with this question about debentures, these debentures are not amortized, are they?

Mr. JOHNSTON: No, there is no sinking fund provision at all. They are carried at full value until they mature and then the obligation is to pay them off and perhaps find other money to pay them with as we did in this particular case last year, as the honourable member submitted.

Mr. JAENICKE: Have you issued considerable debentures since the establishment of the company?

Mr. JOHNSTON: Have we—?

Mr. JAENICKE: All during the years.

Mr. MUNNOCH: From 1884 on, we have been issuing and redeeming them as the situation required.

Mr. JAENICKE: Have you redeemed some out of profits?

Mr. JOHNSTON: No, I do not think there is a case where they were redeemed out of profits. We have had to find new capital each time.

Mr. JAENICKE: So, your debenture indebtedness has always increased, has it?

Mr. JOHNSTON: I think that is true. I am trying to cast my mind back over the early years.

Mr. JAENICKE: Then, what do these figures on page 24 concerning amortization mean?

Mr. JOHNSTON: That is amortization of the discount. Certain of these bonds were sold at a discount, that is 98; that is what the lender would let us have on a \$100 bond. I am giving this as an illustration. He may have said, "I will buy your 3 per cent bond if you will sell it to me for \$98;" that is, of course, all the money market will pay for these bonds. This \$2 discount has to be amortized over the life of the bonds as part of the interest cost. In other words, if there were a 3 per cent coupon on that bond, it did not cost us 3 per cent, it cost us 3·2 per cent. The ·2 per cent would represent the amortization of that discount we had to accept in selling the bond.

The CHAIRMAN: Are you ready to pass clause 1?

Mr. CAMPBELL: This afternoon, I asked about increased rates. I pointed out the tremendous amount of capitalization which was taking place. The answer I got was rather indefinite, that there was no sign of the company going

to the Board of Transport Commissioners for an increase in rates. Tonight, we have been told that the cost per telephone has risen now to somewhere between \$500 and \$600. It seems to me it is going to be impossible for the company to provide service at the old rates.

Mr. Green, speaking in the House the other night, at page 2431 of *Hansard* had this to say: the Montreal press of February 26 stated that,

Frederick Johnson, President of The Bell Telephone Company of Canada, told the annual meeting today that the company cannot live forever within its present rates for service.

Now, it would appear to me from that and from my own deductions, it is quite likely the rates charged by this company will go up in the very near future.

Mr. McCULLOCH: Will the company not make a profit on the hundred thousand telephones it puts out?

Mr. CAMPBELL: They might, but with that increase in cost, I do not see how they can.

Mr. HARTT: It is possible that 50 years from today the cost may have gone up or down.

Mr. JOHNSON: Whatever the situation may be, gentlemen, I am quite sure, having been through the last rate case, that the telephone subscribers' interests are very well protected by the amount of investigation which is made of our affairs and the close scrutiny which is given to our requirements by the Board of Transport Commissioners.

The honourable member, Mr. Church, made reference to the last rate application when we were combed out by two different firms of chartered accountants, Clarkson, Gordon, Dillworth and Nash for the city of Toronto and Price, Waterhouse for the city of Montreal. They made a searching inquiry, both as to our going rate at that time and the anticipated rate before the decision of the Board of Transport Commissioners was arrived at. Whatever the future holds for us, I am quite sure the public interest is amply protected by the Board of Transport Commissioners.

Mr. IRVINE: I was not at the meeting this afternoon because I had to attend another committee meeting. Perhaps the questions I am going to ask were answered this afternoon, in which case it will not be necessary to answer them again.

The first question I wish to ask is, have the officers of the company satisfied the committee this afternoon that they were amply justified in the enormous increase in capitalization required by this bill? Next, I should like to know if the officers of the company have indicated the capital expenditures the company proposes in the next two or three years and where those expenditures are to be made as well as the details which can be given in that connection. Thirdly, I should like to know what guarantee the company is giving to the public that the rural sections of the community served will have their proper share, at least, of the expenditures which are to be made. Those are three questions I should like to have answered if they have not already been answered, in which case I shall have to read the minutes.

Mr. McCULLOCH: They are all in the minutes.

The CHAIRMAN: In fairness to Mr. Irvine, I wonder whether you feel any question has not been answered?

Mr. MUNNOCH: I think the last point Mr. Irvine mentioned, that is what we propose to spend in the rural territories was, perhaps, not dealt with. The estimates for rural expenditures—that is the figures I am giving now are for our rural projects—for 1948, we propose to spend \$4,600,000 in capital expenditures; for 1949, \$6,000,000; for 1950, \$7,000,000; 1951, \$8,000,000. Those are

approximate figures for the lines and telephones without the equipment and buildings.

Mr. IRVINE: Is that for rural sections?

Mr. MUNNOCH: That is for the rural sections of our system. Of course, to that you have to add central office equipment which is, usually, in the adjacent town.

Mr. HATFIELD: You told Mr. Hartt this afternoon you charged \$7 for a business telephone in Montreal and \$3.75 for a residence telephone?

Mr. JOHNSON: \$3.25.

Mr. HATFIELD: Do you not get most of your revenue from long distance calls?

Mr. JOHNSON: No, most of our revenue comes from local service.

Mr. HATFIELD: What do you mean by, "local service"?

Mr. JOHNSON: The \$7 a month and the \$3.25 a month.

Mr. HATFIELD: From where do you get most of your revenue, the long distance calls or the local calls?

Mr. JOHNSON: From the local calls.

Mr. HATFIELD: You do not charge anything for local calls?

Mr. JOHNSON: We charge \$7 for a business telephone and \$3.25 for a residence telephone in Montreal.

Mr. CAMPBELL: This brief speaks of the heavy loads on long distance lines. I should like to know just what plans the company has for improving the long distance service? What are you going to do, for instance, to improve the service between Vancouver and Montreal?

Mr. MACAULAY: We have under way, as part of this program, extensive additions to long distance lines through our company's territory. Going west across western Canada, we have the trans-Canada association which plans to add additional service this year.

Mr. CAMPBELL: What are those plans?

Mr. MACAULAY: Between our territory and Winnipeg we expect to add twelve circuits this month. From there on to Calgary and Vancouver we have additional circuits coming in this spring, three or four, and another three circuits in the fall of this year.

Mr. CAMPBELL: Are those circuits going through the United States?

Mr. MACAULAY: No, those are through Canada.

Mr. CAMPBELL: Are you not using United States lines now?

Mr. MACAULAY: We have had two lines leased for many years. We have leased some circuits across the state of Maine on the C.P.R. line to provide some protection and an alternate route as well as additional relief to the maritime provinces. In December of last year, on account of the congestion in our own circuits across western Canada and to provide protection to those sections, we were able to lease two circuits from Detroit through Seattle into Vancouver. The lease of these circuits is at a very favourable rate and was approved by all the members of the Trans-Canada telephone system which involves the three provincial government systems and the B.C. Telephone Company, all west of the Bell Telephone Company.

Mr. CAMPBELL: Is that a long term lease or is it on a yearly basis?

Mr. MACAULAY: Those are short term leases. They can be cancelled either by the American company or relinquished by the Trans-Canada system at any time, but at present they are needed to carry the heavy load which we now have. Anybody from British Columbia will recall numerous instances when the lines through British Columbia have been interfered with by slides. We

had bad slides last winter. The Fraser Valley lines were out and at one time in order to get communication from Vancouver back into Calgary and Edmonton we had to use those leased lines. Vancouver got through to Calgary by coming through on the leased lines to Toronto and back to Calgary.

Mr. CAMPBELL: What would happen if those leases were cancelled suddenly?

Mr. MACAULAY: From Vancouver we have four different routes. We have the C.N.R. route from Vancouver to Edmonton, the C.P.R. main line, the Kettle Valley line and the Trans-Canada Line. There are four different routes, but all of them went out in a series of rockslides, whereas the leased lines from Seattle were not subject to the same interference.

Mr. CAMPBELL: If these agreements were cancelled where would we be?

Mr. MACAULAY: We only have two circuits out of fifteen routed that way and our own fifteen circuits west of Calgary are being augmented by three or four this spring and another three in the fall.

Mr. JAENICKE: What do you have to pay for those leases?

Mr. MACAULAY: The American lines are approximately one third of the lowest rate which I have ever negotiated.

Mr. JAENICKE: Do you pay so much a call or how do you pay?

Mr. MACAULAY: I have them leased by the month.

Mr. HATFIELD: What improvement have you in mind for the maritime provinces?

Mr. MACAULAY: We do not operate.

Mr. HATFIELD: I am speaking of the long distance lines to the maritime provinces, and getting through to Quebec. That is what I want to know about.

Mr. MACAULAY: I am speaking now for the Trans-Canada telephone system which is an association of these different companies. We added a couple of lines last fall but since the end of the war the traffic which reached a very high peak has declined. That is an exceptional condition but it looks as if it might turn up a little again. We have not had the same congestion though, in Halifax.

Mr. HATFIELD: You do not seem to have any service from Montreal to New Brunswick.

Mr. HARTT: I beg your pardon, that is wrong. I have been at St. Andrew's for the last two summers and I put through two or three long distance telephone calls every week and the service is as good as that to New York.

Mr. HATFIELD: I put telephone calls through practically every day.

The CHAIRMAN: If there is nothing else to discuss—

Mr. JAENICKE: We have some information to get—some lists that the officials were going to furnish to Mr. Pouliot.

The CHAIRMAN: They are not of much consequence and I do not consider the whole bill should be held up for that. It is information which is more of a personal nature in connection with Rivière du Loup.

Mr. POULIOT: It is not only with respect to Rivière du Loup but to the whole subsidiary company and I hope the improvement will be on the whole line.

Mr. HATFIELD: I would like to ask the witness what plans the company has for improvement of the long distance service through Quebec to New Brunswick? I would like to know if they have any plans to improve the service.

Mr. MACAULAY: We have plans but the traffic has not been growing east of Saint John. There has been some growth to Saint John and there has been considerably more growth in the northern end to Edmundston, Campbellton and Gaspé. We put additional lines into the north end of New Brunswick in the last six months, through the Bell Company's territory. We have plans for adding additional circuits this year and next year.

Mr. HATFIELD: I can tell a better story than Mr. Pouliot. I had a man call me from my constituency the other day and I told him that I would give him an answer and call him back within five minutes. When I did so, they told me the lines had been down all day.

Mr. HARTT: That was in New Brunswick.

Mr. HATFIELD: No, we could not get as far as Quebec City.

The CHAIRMAN: Shall subsection 1 of clause 1, "power to increase capital" carry?

Carried.

Mr. CHURCH: A proposal is made to adjourn to 11 tomorrow now. Tomorrow morning there is a meeting which I have to attend as do certain other people in the building who move in a mysterious way their wonders to perform. You also have a meeting tomorrow morning—

Mr. KNIGHT: Before we leave this financial angle it is said that you have assets of \$379,000,000. What about this depreciation reserve and what is the amount?

Mr. JAENICKE: \$108,000,000.

Mr. JOHNSON: That \$108,000,000, the balance of the reserve is invested right in the assets shown under fixed capital and part of it might be in the present cash figure. It is not separately identified. It is the practice as a matter of economy to employ your depreciation moneys which are represented by that depreciation reserve in the construction of plants to save having to borrow more money.

Mr. KNIGHT: Is that amount of depreciation reserve justified? I would like a comment as to what contingencies it is reserved for? There is a lot of money there.

Mr. MACAULAY: The depreciation reserve of course is an amount of money created each year and which accumulates to take care of retirement of a plant when it is worn out and has to be replaced.

Mr. KNIGHT: My question is what specific contingencies are you providing for?

Mr. MACAULAY: That is something on the order of 38 per cent of the plant value, but I emphasize that the depreciation reserve is computed in relation to the first cost of the plant and therefore bears no relation to what the replacement of the plant might cost if it is installed in the future.

The CHAIRMAN: Section 1 subsection 2—"issue and sale of stock, subject to approval of transport board". Shall subsection 2 carry?

Carried.

Section 2, "repeal". Shall section 2 carry?

Carried.

Section 3, subsection 1, "par value of shares may be changed from \$100 to \$25". Shall the subsection carry?

Carried.

Section 3, subsection 2—"coming into force". Shall subsection 2 carry?

Carried.

Mr. KNIGHT: I want to ask a question here on subsection 2 of clause 1. This sort of closure business does not work. This is a committee of grown men and not children.

Mr. CHURCH: Section 3, Mr. Chairman; I would like to ask if there is to be a split or not?

The CHAIRMAN: Subsection 1 of clause 3. Now, Mr. Church, did you wish to ask a question on that? There certainly has been lots of time.

Carried.

Clause 2, of section 3:

Carried.

Mr. CHURCH: What is the effect of that section 2?

The CHAIRMAN: Clause 4, in subsection 1; does clause 4, carry?

Carried.

Mr. CHURCH: No wait a minute. You are going too fast. I wanted to ask a question.

The CHAIRMAN: You are the one who wanted to finish the bill up tonight, weren't you?

Mr. CHURCH: I want to find out what about the split, because I intend to speak about that. The price will be increased the minute we pass this bill. Is it to be a split of 8 to 1? I would like to ask a question of the company?

Mr. JOHNSON: I do not know what the action will be precisely under this amendment. This is an amendment to our original bill which was not asked for by the company. It provides for the shares being divided four to one. That is, that they will divide up a 100 par value share to four \$25 par value shares. It does not give the shareholders anything. All it means he would get more pieces of paper instead of one.

Mr. CHURCH: I tried to point out this afternoon what happened in the case of the price of railway stock that had been handled in this way. It has now gone to \$37. The minute you pass this bill your stocks go to \$200.

Mr. McCULLOCH: I have some that I will sell you for less than that.

Mr. HATFIELD: You should not vote on this committee then.

Mr. McCULLOCH: Who should not?

Mr. HATFIELD: If you hold stock in this company you should not vote on this committee.

Mr. McCULLOCH: Anybody who is as foolish as you are should not be in this committee.

Mr. HARTT: It should have been \$80 a share.

Mr. IRVINE: Have you come to section 3?

The CHAIRMAN: I am at subsection 2, clause 3. Shall clause 4, of subsection 2 carry?

Carried.

Mr. IRVINE: I was going to move that section 3, be struck from the bill.

The CHAIRMAN: We have passed clause 1. Clause 3, of subsection 1—you were talking about clause 3?

Mr. IRVINE: You mean that you have passed clause 1, of subsection 2?

The CHAIRMAN: No, we have passed subsection 1 of clause 2.

Mr. IRVINE: The last I heard was subsection 2.

Mr. HARTT: We can't hear you down here.

Mr. IRVINE: We can't hear down here what you are passing. I am going to move that subsection 3, be struck from the bill.

Mr. HARTT: I rise to a point of order, Mr. Chairman. The committee passed that section and you have so said, and I think it is a matter of record. Now, if the honourable member is not satisfied with certain things that happened because he could not hear it the committee cannot be held up here until midnight because the honourable member could not hear. He should have been paying attention.

Mr. IRVINE: The honourable gentleman who has just spoken chewed the rag so much and used up so much of the time—I never heard so much pure damned nonsense.

Mr. HARTT: Knowing the quality of the last speaker I could not help but chewing him up in the rag. That is your record and you deserve it.

Mr. IRVINE: I want to know if you entertain my motion?

The CHAIRMAN: I will leave it to the committee, but I am quite willing, because I want everybody satisfied.

Mr. STUART: Let's vote on it.

The CHAIRMAN: Is that agreeable to the committee. I think it is fair to the committee if we do it that way. Is it your intention, Mr. Irvine, to delete the entire clause 3, or just subsection 1?

Mr. IRVINE: On subsection 2—

Mr. HATFIELD: Take a vote on it.

The CHAIRMAN: On the entire clause and have it deleted. What is your motion?

Mr. HATFIELD: He moves that it be deleted.

The CHAIRMAN: Put your motion.

Mr. IRVINE: My motion, Mr. Chairman, was that clause 3, be deleted from the bill, and clause 4, then becomes clause 3. Do you want me to make a speech on it? I dealt with this in the House, and I think—

Mr. McCULLOCH: Oh, once is enough.

Mr. IRVINE: —I think I should state that I am opposing clause 3, because I opposed the principle of splitting stock; and I imagine that most of the members of this committee are very familiar with the practices which are often resorted to when this kind is allowed, and the public invariably has to pay the bill. Now, I am not reflecting on this company nor its officers nor its intentions, but I think they can very well carry on their business and do it well without having this section in here at all.

Mr. McCULLOCH: Take a vote on it.

Mr. IRVINE: Yes.

Mr. MICHAUD: Before we vote on it could we have the opinion of the officials as to why they are seeking this clause?

The CHAIRMAN: I might say before we call any witnesses that my understanding is that the Senate dealt with this thing and suggested this change.

Mr. HATFIELD: Yes, it came in through the back door.

Mr. McCULLOCH: Call a vote.

The CHAIRMAN: The motion briefly is this, Mr. Irvine moves that clause 3, be deleted. Those in favour of the motion? Those opposed?

I declare the motion lost.

Mr. HATFIELD: They are all stockholders.

The CHAIRMAN: Does clause 3 carry now?

Carried.

Section 4—transmission?

Carried.

Mr. KNIGHT: Mr. Chairman, we are now on clause 5, and it was on clause 5, that I wanted to ask a question.

The CHAIRMAN: On clause 5; and Mr. Knight would like to ask a question on clause 5.

Mr. CHURCH: That is the clause on which I also wanted to ask a question?

The CHAIRMAN: Mr. Knight has the floor, I am sorry.

Mr. KNIGHT: I understand the company has always had the power to operate and furnish wireless telephone and radio-telephone systems and to provide services and facilities for the transmission of intelligence, sound, television, pictures, writing or signals. It will be perfectly obvious to the committee that a good many of these things are now in existence. In the early

history of the company some of them were simply matters of prophecy. I do not know whether any of the company officials would be prepared to prophecy on them, but the company has always had the power to operate and to furnish the services set out in this clause. I wonder if some one would tell us just what this means?

Mr. MUNNOCH: The question goes back really to what is a line of telephone. A line of telephone, in the studies that I have given to this matter, include any combination of things that will enable you to communicate from one point to another. Now, it is true, as you point out, that perhaps when the bill was enacted originally radio was not known, but when the British North America Act was enacted radio was not known, and the Privy Council held that lines of steamships, railways and canals—I think that is the wording of section 92—included radio and similar works connecting for communication purposes two provinces.

The situation is simply this. I have given to the company the best opinion that I am capable of giving on the interpretation of the original Act combined with the British North America Act, section 92, under which we fall, but we are getting into the stage now where we will have to go on spending substantial sums of money in the use of radio facilities to augment and link together our lines. I do not want to find that at some day some court will disagree with my opinion and I think in the interests of the safety of the company and its investment that it ought to be made clear. That is the reason the words "has and always has had" are included. We believe we have had those powers if we go to the interpretation of our original statute and the federal laws, particularly back to the British North America Act and to the judgment of the Privy Council on it. I do not want to find after we had spent money that some court disagrees with my opinion.

Mr. KNIGHT: This might be called retroactive legislation, and the mere statement in the bill, if it is passed now, will protect the company in the courts in the future?

Mr. MUNNOCH: I am not really worried about what we have done up to now. I should like to be covered. We have done it under licence from the government in all radio steps we have taken, but while it, as you say, is in a sense retroactive we have not got very far in the radio field yet. We would like to be covered.

Mr. KNIGHT: It is an interesting point. I did not know that a mere statement would protect the company.

Mr. CHURCH: I am going to move an amendment that that clause be deleted. I was reading in *Everybody's Magazine* a couple of months ago about this program. We have a radio committee and they have not reported yet on this. It looks to me—

The CHAIRMAN: Are you ready for the question? The amendment is that clause 5 be deleted.

Mr. CHURCH: I am moving that it be deleted, the reason being that it should not be under the control of the Board of Transport Commissioners and secondly, it is going to give this company a monopoly, and thirdly, that television, radio and these other things are surely not a monopoly for a company such as this.

Mr. MUNNOCH: May I reply—

Mr. CHURCH: Just a moment: I am a member of the committee. I think the government must lay down a policy on it first. Why should we pass a clause like this over the heads of another branch of the government, the radio committee of the House of Commons which has not reported on it yet?

The CHAIRMAN: Are you ready for the question that clause 5 be deleted? All in favour of the motion please signify.

Mr. CHURCH: I do not want to see a monopoly in that line. The policy should be laid down by the government and the radio committee, and the public should have the same protection as in Britain on this question and regulation as there.

The CHAIRMAN: Six in favour. Opposed to the motion? Sixteen. The motion is lost.

Mr. POULIOT: Before the clause is adopted I want to ask the company if the applicants for telephone service will be looked after, and if necessary improvements to the old system will be made before entering the new field of television?

Mr. JOHNSON: May I say we have no intention of entering the field of television. The whole purpose of clause 5 is to put at the disposal of television companies, and to put at the disposal of broadcasting companies, if they ever come into being, and to put at the disposal of broadcasting companies these facilities. We are not going into the broadcasting business. We want to put at their disposal wire facilities that will carry their programs from one place to another, and that is the whole and sole purpose.

Mr. JAENICKE: You cannot do that over ordinary wires?

Mr. JOHNSON: The only way you can carry television from one distant point to another distant point is by means either of coaxial cables laid under ground or by short range radio relay stations. Is that right, Mr. Macaulay?

Mr. MACAULAY: Yes.

Mr. JOHNSON: We want to be in the position if as and when the time comes that television enters Canada, not through our medium, not through our efforts, if it comes here in Canada that facilities will be available to carry television broadcasts from Montreal to Toronto, to Winnipeg and across the country, without which television broadcasting could not reach those distant points.

Mr. CHURCH: That is the point. If it was under the same regulation as Great Britain I would not mind it, but I fear a monopoly, and the government or radio committee has not laid down any government policy yet.

Mr. POULIOT: Mr. Johnson, I was under the impression that the purpose of this was to give each one of your subscribers the pleasure of seeing each other.

The CHAIRMAN: Shall clause 5 carry?

Carried.

Shall clause 6 carry?

Carried.

Shall the title carry?

Carried.

Shall I report the bill?

Carried.

The committee adjourned.

APPENDIX

BRIEF ON BEHALF OF THE
BELL TELEPHONE COMPANY OF CANADA

By N. A. MUNNOCH, K.C., General Counsel and Mr. D. K. MACTAVISH, K.C.,
Parliamentary Agent

IN THE MATTER of Bill No. 8 (C of the Senate), An Act respecting The Bell
Telephone Company of Canada

History of Telephone Industry in Canada

The Bell Telephone Company of Canada, which has petitioned for the enactment of the above-mentioned Bill, was incorporated by Act of Parliament, 43 Victoria chapter 67 which received Royal Assent on April 29, 1880—just 4 years after the telephone was invented. At that time, there were a few small local telephone companies located in some of the larger centres in Canada, such as London, Hamilton, Windsor, Montreal, Toronto and Quebec. These were purely local systems having few subscribers and were not connected with each other. One of the purposes of the incorporation of The Bell Telephone Company of Canada was to bring these small local organizations together into one integrated system permitting of the subscribers in one locality being able to communicate with those in other localities.

To this end, The Bell Telephone Company of Canada was incorporated with power to extend its operations throughout Canada and to purchase existing systems.

By the end of the year 1881, the Company had purchased or acquired "all other existing telephone interests in Canada" (Annual Report Dec. 31, 1881) and had a grand total of 3,100 telephone subscribers.

After 68 years of continuous operation, the Company now serves 1,306,975 telephones.

As already mentioned, under the Company's Act of Incorporation it is empowered to extend its operations throughout Canada. It has never, however, extended throughout the whole of Canada. At no time did the Company ever operate in British Columbia. By the early 1900's, the Company had relinquished its interests in the Provinces of Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Prince Edward Island and disposed of all of its plant and properties in those provinces. The result is that since 1909 the Company's operations have been confined to the Provinces of Ontario and Quebec with, of course, facilities enabling connection to be made with the systems serving the other 7 provinces and the United States and for directly or indirectly connecting with all other systems throughout the world where interchange of telephone communication is permitted by the laws of other countries and by the facilities provided by such other systems. Connection may now be had with the systems in 72 other countries.

The 1,306,975 telephones which The Bell Telephone Company of Canada serves are all located in the Provinces of Ontario and Quebec.

In the whole Dominion of Canada, there are over 3,200 separate telephone systems serving 2,213,000 telephones. Of these, eight might be said to be the major systems. They are:

The British Columbia Telephone Company serving	193,736	telephones
Alberta Government Telephones	53,646	"
Saskatchewan Government Telephones	58,987	"
Manitoba Telephone System	110,012	"
The Bell Telephone Company of Canada ..	1,306,975	"
The New Brunswick Telephone Company ..	52,426	"
Maritime Telegraph & Telephone Company ..	74,012	"
Island Telephone Company (P.E.I.)	7,721	"
	1,357,515	"
The remaining 3,027 systems serve	355,829	
	2,213,344	

Relating these 2,213,000 telephones in Canada to the population of Canada we find there is 1 telephone for every 6 persons.

In Great Britain there is 1 telephone for every 12 persons.

In the United States there is 1 telephone for every 4½ persons.

In the Provinces of Ontario and Quebec, in which the Company serves, there are a total of 923 separate telephone systems. The total number of telephones in these provinces is 1,533,000 of which the Company serves 1,307,000. Of the remaining 226,000 telephones, some 225,000 are served by 903 connecting systems with which we interchange service; the balance of 1,000 telephones are served by 19 small systems which do not connect with the Company's lines.

	Connecting		Non-Connecting	
	Systems	Telephones	Systems	Telephones
Ontario	588	152,000	8	400
Quebec	315	73,000	11	600
	903	225,000	19	1,000

It is due in great measure to the Company's long distance lines that all but 19 of these systems in Ontario and Quebec are interconnected so that a subscriber of any particular system may communicate with the subscriber of any other system.

There are approximately 8,000,000 people in the Provinces of Ontario and Quebec with 1,533,000 telephones. That gives a ratio of 1 telephone for every 5 persons. In the other provinces of Canada, the ratio is:

British Columbia	1	telephone	for every	5	persons
Alberta	1	"	"	8	"
Saskatchewan	1	"	"	8	"
Manitoba	1	"	"	7	"
New Brunswick	1	"	"	9	"
Nova Scotia	1	"	"	8	"
Prince Edward Island	1	"	"	11	"

In the territory served by The Bell Telephone Company of Canada there is one telephone for every four and one-half persons of population. In 1920, there was only one telephone for every 10 persons.

The foregoing statement as to development does not mean that all the telephones are concentrated in the large centres. The Company's records show that in 1945, thirty-nine per cent of the establishments in the rural territory the Company serves had telephone service. In 1945, the Company installed 6,425 additional telephones in the rural areas it serves; in 1946, it installed some 12,465 additional telephones and in 1947, 12,062 additional telephones, so that at the present time 55 per cent of the establishments in the rural territory the Company serves have telephone service. This extension of rural facilities in the past three years to provide for the installation of some 30,952 additional rural services involved the expenditure of some \$6,738,000 of capital funds for the extension of pole lines and wires alone.

If the Company is permitted to carry on its present rural development program; if it is enabled to procure the capital funds to carry it out, it expects that by the end of the year 1951 between 65 and 70 per cent of the establishments in the rural territory it serves will have telephone service. This will mean that the rural telephone development in the territory the Company serves will be very close to the telephone development in the urban areas it serves.

It will be seen from these facts and figures that the Company has well served the territories where it has undertaken to furnish service.

Rate Regulation

The foregoing gives a brief description of the telephone situation in Canada as it exists today and the conditions under which The Bell Telephone Company of Canada operates generally. There are some other conditions which should also be considered.

By December 31, 1881, or the end of the second calendar year of its operation, the Company had acquired 3,100 telephones—and these were all the telephones in service in Canada. In May, 1882, however, Parliament appreciating the importance of this new industry which was in the process of development enacted chapter 95 of the Statutes of that year declaring the Company's Act of Incorporation, and the works authorized under it, to be for the general advantage of Canada.

Then, in the year 1892, when the Company was serving but 23,000 telephones, Parliament enacted chapter 67 of the Statutes of that year which provided that

The existing rates of the Company shall not be increased without the consent of the Governor in Council.

This legislation was supplemented by chapter 41 of the Statutes of 1902 which enacted that

The rates for telephone service in any municipality may be increased or diminished by order of the Governor in Council upon the application of the Company or of any interested municipality, and thereafter the rates so ordered shall be the rates under this Act until again similarly adjusted by the Governor in Council.

Under this enactment, the Governor in Council was authorized to refer rate matters to the Exchequer Court for determination and the word "rates" was made to apply to local as well as long distance rates.

Then in the year 1906, when the Board of Railway Commissioners for Canada (now the Board of Transport Commissioners for Canada) was created, that Board was given full and complete jurisdiction over the Company's rates for by your Petitioner's Special Act, chapter 61 of the Statutes of 1906 it was enacted that

This Act and The Bell Telephone Company of Canada and the exercise of the powers hereby conferred shall be subject to the provisions of The Railway Act 1903 and amendments thereto.

By virtue of this enactment and the provisions of The Railway Act, as made applicable, the Board has full jurisdiction over all matters pertaining to the Company's rates. This jurisdiction is a very broad one since the Board has power to act of its own motion (sec. 361), may act from time to time as occasion may require (sec. 37) and may review, rescind, change, alter or vary its own decisions (sec. 51).

The extent of the Board's powers is evidenced by the provision it embodied in its judgment in the Company's last general rate case (1926-27) from which the following paragraph is quoted:—

For this reason, it is imperative that the Board should not lose sight of the results of the company's financial operations, not only from year

to year but calculated during a much shorter period of time. To that end the company should be required to furnish the Board with complete financial statements each month of the year for its information, and keep it closely and continuously in touch with the company's operations, and in a position to judge as to the actual effect of the rates which are now put in, and direction to that effect will be given.

These monthly returns as required by the Board's judgment have been regularly made since the Company's present rate base came into effect under the Board's judgment on March 1, 1927.

But the legislation referred to that made the Company subject to The Railway Act did not limit the Board's jurisdiction to matters of rates.

Under The Railway Act as now in force, being chapter 170 of the Revised Statutes of Canada, The Board of Transport Commissioners for Canada has power and jurisdiction

- (1) over all operations under the Company's Special Acts, sec. 32;
- (2) to enforce agreements the Company enters into, sec. 35;
- (3) to make enquiries into the Company's operations, sec. 69;
- (4) to inspect the Company's works, sec. 71;
- (5) to regulate the construction of the Company's works when matters of public safety are involved, i.e. at railway crossings, secs. 256 et seq.;
- (6) to order the Company to make repairs, sec. 283;
- (7) to regulate the Company's tolls and traffic, secs. 314 et seq.;
- (8) to regulate joint tariffs, secs. 336, 375 (10);
- (9) over the publication of tariffs, sec. 342;
- (10) over contracts limiting liability, sec. 348;
- (11) over the construction of lines upon or across highways, sec. 373;
- (12) over the construction of lines across other lines, sec. 372;
- (13) over the connection of the Company's lines with lines of other systems, sec. 375 (7);
- (14) over all contracts the Company makes with other telephone systems and subscribers, sec. 375 (11);
- (15) to inquire into any contracts whatsoever that the Company may enter into, sec. 384.

By chapter 93 of the Statutes of 1929, which was the last enactment authorizing the increase of your Petitioner's capital stock, a further regulation was imposed upon the Company.

This regulation is as follows:—

The said Company shall not have power to make any issue, sale or other disposition of its capital stock, or any part thereof, without first obtaining the approval of the Board of Railway Commissioners of Canada of the amount, terms and conditions of such issue, sale or other disposition of such capital stock.

From these facts, it will be observed that your Petitioner is thoroughly subject to regulation in all branches of its operations—

- (a) its rates have been subject to regulation since 1892 or for the past 56 years and the Board of Transport Commissioners has been receiving monthly reports upon the Company's financial operations for the past 21 years;
- (b) it has been subject to all pertinent provisions of the Railway Act and the regulatory jurisdiction of the Board of Transport Commissioners for Canada since 1906 or for the past 42 years;

- (c) its issues of capital stock have been subject to the jurisdiction of The Board of Transport Commissioners for Canada since 1929 or for the past 19 years.

Obligation to Give Service

There is one other provision to be found in your Petitioner's Special Acts to which attention must be drawn. It is to be found in chapter 41 of the Statutes of 1902. It is a fairly long section the relevant part being as follows:—

Upon the application of any person, firm or corporation within the city, town or village or other territory within which a general service is given and where a telephone is required for any lawful purpose, the Company shall, with all reasonable despatch furnish telephones, of the latest improved design then in use by the Company in the locality, and telephone service, etc.

This enactment, which was no doubt passed in the public interest, imposes a definite duty upon the Company to furnish telephones and telephone service upon demand with all reasonable despatch.

It is because of this duty and of the Company's desire to discharge its obligations under it that it has petitioned for the enactment of Bill No. 8.

The Company is not asking Parliament to vote it the amount of additional capital moneys which it needs. What it asks is that Parliament will grant it—

First, the power to create, with the approval of its shareholders, new authorized capital as it needs it to the extent of \$350,000,000;

Second, the right, having the required authorized capital, to go to The Board of Transport Commissioners for Canada from time to time and try to satisfy it of the propriety of making an issue of a specified amount of such authorized capital and of the price, terms and conditions upon which it is to be issued; and

Third, the opportunity, after complying with the Blue Sky Laws, of going to the Canadian investors who, the Company believes, have confidence in our country's future and in The Bell Telephone Company of Canada, and seeking from them the capital moneys the Company needs for the purpose of serving the public of Ontario and Quebec with essential telephone service.

Financial History

Since the Company is asking for a substantial increase in its authorized capital, it seems appropriate that before attempting to make out its case for the amount of new capital sought we should endeavour to state what the Company has done with its present authorized capital.

The Company's original Act of Incorporation passed in 1880 authorized its capital stock to be \$500,000 divided into 5,000 shares of \$100 each and enabled the Company after the whole of its authorized capital stock had been subscribed and at least 50% thereon paid up to increase its capital to \$1,000,000.

By the end of the year 1883, the Company had purchased or constructed a telephone system serving 6,000 telephones in 52 exchanges and had constructed some 668 miles of long distance lines connecting together such of these exchanges as it was possible to connect having regard to the development of the art at that time. This was a big undertaking at the time for it will be remembered that the telephone was then only 7 years old.

In accomplishing this, the Company had expended the whole of its \$1,000,000 of authorized capital and invested it in the telephone plant and facilities making up its system.

Having used up its authorized capital in establishing its system serving 6,000 telephones, the Company had to have more capital if it was going to expand

its system. Accordingly, it applied to Parliament in 1884 and by chapter 88 of the Statutes of that year its authorized capital was increased from \$1,000,000 to \$2,000,000 or exactly doubled.

With this additional \$1,000,000 of authorized capital and the issue of \$500,000 of bonds, the Company proceeded to extend its system to meet the public demand and by the end of the year 1891, i.e. 7 years after its capital was increased, its system had grown to the point where it was serving 22,753 telephones. It then had a total of 4,432 miles of pole line carrying 9,213 miles of wire line and had constructed about 86 miles of underground duct in Montreal, Toronto and Hamilton.

In these 7 years, the Company had trebled the number of its telephones and increased the length of its lines many times—but in doing so it had necessarily expended \$926,900 of its \$1,000,000 increase of authorized capital with the result that \$1,926,900 of its \$2,000,000 authorized capital had been issued.

At this time, the Company had a balance of only \$73,100 of authorized capital available for the further expansion of its system so in 1892 the Company again applied to Parliament and by chapter 67 of the Statutes of that year its capital was increased by \$3,000,000 giving the Company a total authorized capital of \$5,000,000, an increase of 150 per cent.

With this additional \$3,000,000 of capital and the balance of \$73,100 which it had and by borrowing \$1,750,000 through the issue of bonds, between 1891 and 1901, the Company again nearly doubled the number of telephones it served. Its telephones increased from 22,753 to 44,168. Its long distance lines increased from 4,432 miles of pole line carrying 9,213 miles of wire to 6,634 miles of poles carrying 24,193 miles of wire.

This expansion again used up the whole of the company's authorized capital and in 1902 it again applied to parliament and by chapter 41 of the statutes of 1902 its capital was increased from \$5,000,000 to \$10,000,000.

With this increased capital of \$5,000,000 and the issue of \$575,000 of bonds by the end of the year 1905 the company had grown to the point where it was serving 81,891 telephones, as against the previous 44,168; its miles of pole line had increased from 6,634 to 8,645 carrying 37,082 miles of wire as against the previous 24,193. It had again doubled the size of its system.

By the end of 1905, \$8,604,840 of the Company's \$10,000,000 authorized capital had been issued leaving only \$1,395,160 available for future expansion, so in 1906 the company again applied to parliament and by chapter 61 of the Statutes of 1906 its authorized capital was increased to \$30,000,000 or trebled.

By the end of the year 1919, the company had issued \$22,336,300 of its authorized capital of \$30,000,000 and had issued bonds to the amount of \$11,149,000. So that since 1905 it had issued \$13,731,460 more stock and \$8,824,000 more bonds making a total of \$22,555,460. With these moneys the company had expanded to the point where it was serving 337,476 telephones or over 4 times the number of telephones it had in 1905. It had 96,753 miles of long distance wire or over 2½ times what it had in 1905. The total wire mileage (local and long distance) amounted to 964,098 miles and the company was handling 2,593,000 local calls and 29,000 long distance calls daily.

In the year 1919 alone, the number of telephones increased by 34,271. That was the year following the close of the First Great War. It appeared to the Company that this heavy demand for additional telephones would continue, but at that time the Company had available only \$7,663,700 of authorized capital.

Faced with this heavy demand, the Company in order to meet its obligation to serve the public again applied to parliament in 1920 and by chapter 100 of the Statutes of 1920 its capital stock was increased from \$30,000,000 to \$75,000,000 or 2½ times.

By the end of 1928, the Company had issued stock to the amount of \$60,340,500 and its funded debt (bonds and pension fund note) amounted to

\$41,434,094. So that since 1919 it had issued \$38,004,200 more stock and increased its funded debt by \$30,285,094 making a total of \$68,289,294. But during this period, that is from the end of 1919 to the end of 1928, the number of the Company's telephones had more than doubled; increased from 337,476 to 714,245; its wire miles had increased over 2½ times from 964,098 to 2,449,857.

At the end of 1928, the Company had unissued capital stock in its treasury amounting to \$14,659,500. But the company did not think this remaining amount of capital would enable it to meet the demand for additional telephone service which was then being made upon it.

In the years 1923 to 1928 inclusive, the Company had been growing and expanding at a very rapid pace:

in 1923 it placed in service	52,018 additional telephones
in 1924 it placed in service	50,607 additional telephones
in 1925 it placed in service	52,473 additional telephones
in 1926 it placed in service	40,840 additional telephones
in 1927 it placed in service	38,222 additional telephones
in 1928 it placed in service	45,862 additional telephones

If this demand was going to continue then it was obvious to the company that its \$14,659,500 remaining capital would be insufficient to meet it.

So, in 1929, the Company made its application to parliament and by chapter 93 of the Statutes of 1929 its capital was increased from \$75,000,000 to its present authorized capital of \$150,000,000—doubled.

Since the end of 1928 down to the end of 1947, the growth and development of your Petitioner's system has been as follows:

	1947	1928
Telephones—70 per cent now dial	1,306,975	714,245
Miles of Wire	4,966,423	2,449,857
In underground cable	3,542,193	1,694,640
In aerial cable	1,153,523	551,786
Open wire	270,716	203,431
Employees	23,335	16,240
Daily connections	8,662,000	4,855,000
Local	8,497,000	4,789,000
Long distance	165,000	66,000

This was accomplished by an increase of \$66,080,400 in stock and \$39,631,000 in funded debt; an increase of \$105,711,400.

Need for New Capital

This enormous growth in the Company's system during the period 1929 to 1947 has left the Company in the following position with regard to its authorized capital.

The Company's present authorized capital is \$150,000,000 created under the authority of chapter 93 of the Statutes of 1929. Of this \$150,000,000 authorized capital—

\$126,420,900 has been paid in full and issued
 425,600 has been subscribed and allotted under subscriptions payable in instalments under the terms of the Company's last offering of September 17, 1947.
 10,091,700 has been subscribed by employees under the provisions of the Company's "Employees' Stock Plan" and is payable in instalments

\$136,938,200

These three amounts total \$136,938,200 and deducting this total from the \$150,000,000 authorized leaves your Petitioner with a balance of only \$13,061,800 or less than 9 per cent of authorized capital available under its present statutory authority.

The \$126,420,900 of stock which has been paid in full and issued was sold at different prices ranging from par to \$145.00 and resulted in the Company obtaining premiums thereon amounting to \$23,969,859, all of which has been invested in the business. This gives an average premium on all stock issued

from 1880 down to the present time of \$18.96 per share. The premium on all stock issued since 1929 amounts to \$33.40 per share.

The \$425,600 of stock subscribed for on the instalment basis was sold at a price of \$140 per share or at a premium of \$40.00.

The \$10,091,700 being subscribed by employees has been subscribed some at \$115 per share (81,900 shares) and some at \$135 per share (19,017 shares). The subscription price was increased from \$115 to \$135 per share on December 1, 1946.

The issued and paid up shares of the Company are held by 34,439 shareholders of whom 33,013 or 96 per cent, holding 1,015,043 or 80 per cent of the shares, reside in Canada. It will be of interest to know that 57 per cent of the Company's shareholders are women holding 28 per cent of the shares.

4,230 or 12.3 per cent of the shareholders are employees holding 5.8 per cent of the stock.

The balance of \$13,061,800 of unissued authorized capital stock available in the Company's treasury is wholly insufficient to enable the Company to carry out the very substantial construction programme which it must undertake in order to furnish the citizens of Ontario and Quebec with the telephone service they require and are demanding.

Construction Programme

As all the hon. members of the Committee know, during the war and the two years which have followed the war, there was a great shortage of materials and manpower. The use of nearly every kind of material was necessarily restricted or rationed so that the greatest amount of our country's resources could be devoted to the prosecution of the war. These shortages and restrictions affected virtually all of the materials required in the telephone industry and made it impossible for the Company to increase and extend its facilities during that period to the extent necessary to meet or keep pace with the demand for telephone service which increased continually.

Telephone service was declared to be an essential wartime service. What facilities the Company had, and those that could be provided out of the materials made available to it had to be used primarily for serving war industries and other essential wartime services which had to be given first priority for the defence of Canada.

During the war period, there was little that the Company could do to make provision for the telephone needs of the civilian public. Private citizens had to be told that the Company had no facilities and could provide no facilities to serve them. Practically all of the Company's spare or stand-by facilities had been put into service—yet during this six-year period of war the demand for telephones and telephone service continually increased.

On August 1, 1945, which was just before the war ended, the Company had 89,000 applications for telephone service which it could not fill due to lack of facilities.

Since that time, that is from August 1, 1945 to the end of March, 1948, the Company by the expenditure of about \$104,495,000 capital funds has been able to provide the facilities required to actually put 329,000 additional telephones in service; an increase of 32 per cent yet the Company was still faced with 95,749 applications for service which it cannot fill. The Company was able to do this because it then had sufficient authorized capital and other funds available to devote to this purpose. But despite this large increase of 32 per cent of telephones in service, due to the continuing heavy demand, *the Company is still faced with 95,749 applications for telephone service which it cannot yet provide.* In addition to these 95,749 applications for service, the Company has on hand applications from 69,000 subscribers who want individual line service instead of the party line service they now have. These applications cannot be met until the requisite additional lines and facilities can be provided.

But this is not the whole story. The Company's long distance lines are overcrowded with messages. In 1939, its long distance lines carried an average of 60,000 long distance calls daily. Now they are required to carry some 165,000 long distance calls per day. Its local and long distance lines now have to carry 8,662,000 calls daily. The Company has not been able to provide adequate facilities to properly carry this increased load.

To provide the telephone facilities required to meet this heavy demand is not simply a matter of producing telephone instruments and stringing connecting wires. The telephones and wires are useless without the switchboard and central office equipment necessary to make them function. Switchboards and central office equipment are most complicated pieces of apparatus. They cannot be obtained ready-made, but must be designed and manufactured for the precise place in which they are intended to function. Then it cannot install switchboards and central office equipment without having proper building in which to house them. These buildings and additions to buildings must be designed and erected. It will be appreciated that the planning, designing, manufacturing and erection of switchboards, central office equipment and buildings all involve projects which must be planned and designed well in advance and require, under present conditions, time to carry into effect. It will also be appreciated that in the planning and designing of plant and buildings it is necessary that the Company be in a position where it can see its way to finance such projects.

The planning of extensions, additions and betterments to the Company's system also involves the estimation of the probable future demand so that provision may be made for future development in carrying out the works and the Company may have the benefit of the economic advantages of so doing. It is therefore necessary to plan projects and the financing of them on a physical and financial forecast extending years into the future.

The Company is seeking authority for a substantial increase of capital—\$350,000,000—but the construction program which it must now undertake calls for substantial expenditures. Its program for the next 5 years calls for an estimated gross expenditure of some \$360,000,000 of capital money, the principal items being:

Right of Way	\$ 1,000,000
Land and Buildings	42,000,000
Central Office Equipment	97,000,000
Station Equipment	95,000,000
Exchange Lines	86,000,000
Toll Lines	26,000,000
General Equipment	15,000,000
Total Gross Construction	<u>\$ 362,000,000</u>

This gross construction figure of \$362,000,000 broken down on an estimated yearly basis means a gross construction of about \$74,000,000, in 1948; \$76,000,000 in 1949; \$71,000,000 in each of the years 1950 and 1951 and \$70,000,000 in 1952. These estimates were made in the early fall of 1947. The latest view is that these figures will have to be increased by about 10 per cent and that the current five-year total gross construction will amount to \$394,000,000.

In addition to this, it is the Company's considered opinion that it may be faced with a construction program of like magnitude in the succeeding five years—that is, in the years 1953-57. This is expected to run to something in the neighbourhood of \$70,000,000 per year over this period.

It is apparent then from these projected estimates that the Company will have to make very substantial capital expenditures during the next decade or so.

It is a very difficult thing to estimate with accuracy in advance for the next decade the amount of money which will be involved in the construction program for a large telephone system such as your Petitioner operates. The

Company has tried to look into the future so far as it can with a basic 5-year plan of which the principal items are above stated. This estimated program must necessarily be based on present views of industrial activity and business prospects and the progress of Canada during that period. In reaching this estimate of \$360,000,000 the Company made the best estimate it can, based on its continuous development studies.

The Company has also looked to its past experience—particularly to the period following the First Great War. It is thought that the period we are now in has and will have factors in common with the post-war period following the First War, particularly in the field with which the Telephone Company is concerned, that is plant expansion in industry, the development of new projects resulting from wartime research and increasing population and housing development.

The facts and figures available up to the present time demonstrate this.

Year	Additional phones installed	Hold orders	Held orders % total telephones in service	Year	Additional phones installed	Hold orders	Held orders % total telephones in service
			%				%
1919.....	34,271	(not available)		1945.....	62,583	77,000	7.3
1920.....	38,885	15,000	3.9	1946.....	127,811	84,000	7.2
1921.....	23,916	17,000	4.3	1947.....	129,051	94,900	7.2
1922.....	33,946	23,000	5.2				
1923.....	52,018	4,000	0.7				
1924.....	50,607	3,000	0.6				
1925.....	52,473	3,000	0.5				
1926.....	40,840						
1927.....	38,222						
1928.....	45,862						

So that if the demand for telephone service continues for the next few years as it did following the First Great War on anything like the basis that the figures for the past 3 years indicate, it is clear that the Company is going to be faced with a very heavy construction program to enable it to meet this demand. In the next five years, the Company expects to be called upon to instal some 455,000 additional telephones.

In 1920, the capital obligations of the Company amounted to about \$44,000,000. By the end of the following decade of expansion, the Company's obligations amounted to about \$157,000,000—increased in excess of 3½ times. Its capital stock increased in like proportion, that is from less than 23 millions to nearly 75 millions. Its debt capital increased more than 4 times, i.e., from less than 17 millions to slightly over 70 millions.

While this measure is not put forward as being a complete test of the Company's requirements it is, however, believed to be indicative of the conditions the Company is now facing.

In 1920, the Company's issued capital stock was \$23,000,000. It came to Parliament and sought and obtained authority to more than treble its then existing issued capital of \$23,000,000. That proved to be insufficient to carry the Company through the full expansion period which ended in 1931 and it had to again apply for a further increase in 1929.

If in 1920 the Company had sought an increase in capital of sufficient amount to have carried it through this expansion period it would probably have been thought to be overreaching. Some might think that it is now, but it is respectfully submitted that if the Company is to be able to provide the service which the public require over the next few years it is going to need the additional capital petitioned for.

It is not intended that all of this vast amount of money which the Company is going to require (i.e., some \$700,000,000 over the next decade) will be raised through the issue of capital stock. A substantial portion of it will, it is expected, be obtained through borrowings and other available resources of the Company, such as depreciation credits, which will be used and invested in the plant to be constructed.

The Company requires some \$52,000,000 of new capital to finance its construction program for the year 1948. It is expected that this rate of construction will continue for some years. Applying the Company's long term policy of financing its capital requirements by two-thirds equity capital (capital stock) and one-third by borrowing, this will require that \$35,000,000 be obtained each year through the issue of capital stock.

Thus, according to the best forecasting and estimating the Company is capable of, it thinks and expects that it will need the \$350,000,000 of additional capital authorized by this Bill together with substantial borrowings to carry out the expansion and extension of its system.

The granting of the authority to increase the Company's capital as prayed for does not leave it to the Company to issue and dispose of the new capital as it sees fit. Reference has already been made to subsection 2 of section 1 of the Bill, which re-enacts the provision that was contained in chapter 93 of the Statutes of 1929 and deprives the Company of the power to make any issue, sale or other disposition of its capital stock without first obtaining the approval of The Board of Transport Commissioners for Canada of the amount, price, terms and conditions of such issue, sale or other disposition of such capital stock.

It is respectfully submitted that this subsection 2 fully and amply protects any and all public interests that might be involved.

By section 2 of chapter 41 of the Statutes of 1902, already referred to, Parliament imposed upon the Company the obligation of furnishing telephone service and telephones of the latest improved design to the public upon demand. It is therefore submitted to be in the public interest that the Company be put in a position where it can fulfil this duty. To discharge this duty it is necessary that the Company enlarge and extend its system and facilities to the point where it can meet the public need and furnish service on demand. As already mentioned, there are 95,749 waiting applications for service and an additional 69,000 subscribers waiting for individual line service. By this Bill, the Company is asking the authority to permit it to go out from time to time after satisfying The Board of Transport Commissioners for Canada of the propriety of doing so to raise the necessary capital to enable it to discharge its duty to the public.

Subdivision of Shares

Section 3 of the Bill provides for the subdivision of the Company's shares of capital stock which are now and always have been of the par value of \$100 each into shares of the par value of \$25.00 each.

The Company did not petition for this provision to be enacted in the Bill. It was put in the Bill by way of an amendment made before the Banking and Commerce Committee of the Senate. In this connection the following extract is quoted from the Senate Debates of January 29, 1948, p. 109.

Hon. JOHN T. HALL: Honourable Senators, I was present throughout the meeting of the Banking and Commerce Committee when this bill was under discussion. The bill as it has come back to us from the Committee contains two important amendments. One deals with the transmission of shares by will or by letters of administration. The other, which was inserted by the Committee without any request from the Company, provides for splitting each of the shares of \$100 par value into four shares of \$25. That is to be completed not later than July 1, 1949. I would add that the Committee adopted these amendments unanimously.

Your Petitioner did not seek that this provision be enacted in this Bill. The Company was not prepared to propose such a change for in its 68 years of existence its stock has never been split or subdivided and it was reluctant to disturb the existing par value of its shares which had become one of its characteristics. This amendment was put forward in the Senate Committee on the basis that the division of the shares into smaller denominations would encourage the small investor to become a shareholder in the Company and enlarge the market in which the Company will have to seek and compete for the additional capital moneys it requires and thus assist the Company in its equity financing.

To the extent that this may be so, this section might be of help to the Company. It has no effect upon the Company's shareholders' investment. Today, a shareholder might hold one share of \$100 par value. If this section becomes effective the same shareholder will hold 4 shares of \$25 par value or the same \$100 par value of stock.

Transmission of Shares

Section 4 of the Bill is identical with section 39 of the Dominion Companies Act with the exception of the substitution of the word "the" at the beginning of the second line for the word "a" to conform the context.

Section 39 applies to every Dominion Company incorporated by letters patent and enables such companies to act and rely upon letters probate or letters of administration or other testamentary document granted by any court of Canada, Great Britain, Northern Ireland or any other of His Majesty's Dominions, colonies or dependencies or in any foreign country when called upon to enter a transmission of its shares upon its registers in consequence of the death of a shareholder.

The Ontario Companies Act contains a like provision in section 62 applicable to all Ontario letters patent companies.

Neither section 39 of the Dominion Companies Act nor section 62 of the Ontario Companies Act applies to The Bell Telephone Company of Canada.

Under the general law of Ontario, the Ontario courts will not recognize Letters Probate or Letters of Administration or other documents testamentary which have issued out of the courts of the other Provinces of Canada or of foreign countries unless they have been re-sealed or otherwise authenticated by the Surrogate Courts in Ontario. This was laid down in the very recent case of *Tensl v. King et al* (1947) O.W.N. 807, where the Court said:

It is common ground that no letters of administration or probate or ancillary letters of administration or probate have been issued in Ontario.

In *Fidelity Trust Co. v. Fenwick* (1921) 51 O.L.R. 23 at 35, 64 D.L.R. 647, Orde J. had this to say:

"That a foreign executor cannot come into Ontario and sue for the recovery of moneys due the testator's estate without first obtaining probate here is too well-established for argument. See *Whyte v. Rose* (1842) 3 Q.B. 493, at p. 509; *New York Breweries Co. Limited v. Attorney-General* (1899) A.C. 62."

In *Morris et al. v. Smart et al.*, (1882), 26 Sol Jo. 752, North J. stated the law thus:

It was clear that foreign executors of a foreign estate could not take in this country any 'transmission of interest or liability' without obtaining representation here.

The result is that if the Company were to allow a transmission of its shares to be entered on its Toronto register relying upon letters Probate or Administration of any province or of any foreign country which have not been authenti-

ated by the Surrogate Courts in Ontario it would have no protection and could not justify its position if the transmission became involved in litigation.

In the case of a deceased shareholder who dies domiciled other than in Ontario or Quebec the Company is therefore in the position of either having to insist that the estate go to the expense of having the testamentary documents authenticated in Ontario or that the transmission be entered in Montreal where Art. 1220 of the Quebec Civil Code would afford it the desired protection. This sometimes causes delay and some irritation on the part of the executors and their solicitors.

It is this situation which would be remedied by this proposed section and its enactment would undoubtedly be helpful to those acting for the estates of shareholders who died domiciled elsewhere than in Ontario and Quebec.

Radio and Television

Section 5 of the Bill is intended to clarify the Company's position with regard to the use of the latest improvements in the art of telephony including the use of radio and wireless telephone and television in providing the communication service which it furnishes.

The Company has no intention or desire to engage itself in the production of radio or television broadcasts. What it wants to have made clear is its right to make use of radio, under licence from the Government, for the purpose of carrying on its telephone business and to make available to others who are or may be engaged in radio or television broadcasting the facilities which the Company has which may be utilized in connection with broadcasting.

Nor has the Company any desire to gain any sort of control of the fields of radio or television broadcasting. Section 5 of the Bill explicitly provides that the powers therein referred to are to be

subject to the provisions of the Radio Act, chapter fifty of the statutes of 1938 and of any other statute of Canada relating to radio broadcasting and the regulations made thereunder.

Everything that the Company has done or accomplished in the radio field to date has been done under appropriate licences from the Department of Reconstruction and Supply. It is intended by this section that the Company's future operations in this field will be subject to the same governmental control.

Wireless and radio telephone is a comparatively new development in the art of communication which is the field in which the Company operates. It is important, not only to the Company but to the public service which it provides and to the public service furnished by others, that there should be no question as to the Company's powers to furnish service by this means.

The Company is already engaged in furnishing service to mobile telephones in automobiles, trucks and ambulances, etc., which cannot be provided by any means other than radio-telephone operating in conjunction with the Company's wire lines. This kind of service can be extended to aircraft, railway trains and ships, and these kinds of service are now coming into demand.

The Company requires to use radio links to connect up its wire lines to overcome natural obstacles. It is now using radio-telephone facilities to connect its wire lines across the St. Lawrence River from Joliette to Sorel. It operates a radio-telephone service between Leamington and Pelee Island where ice conditions frequently used to damage the submarine cables formerly used and interrupt the service. In conjunction with the Canadian Marconi Company and the British Post Office it has furnished trans-Atlantic telephone service by radio for many years.

Wireless or radio-telephone systems can also be used to extend telephone service to localities which cannot be economically or physically served by wire lines, such as island communities—reference has already been made to Pelee

Island—and isolated communities in the northern parts of Ontario and Quebec and other inaccessible points.

Wireless telephone or radio is assuming increasing importance in the economical development of the telephone system. Developments in recent years have progressed rapidly and there is every likelihood that wireless telephone or radio systems capable of handling large numbers of communication channels over long distances may, in many cases, prove to be an economical alternative to the use of wire lines. Since the economical development of the Company's system involves the use of such new developments as they become available it is planned to use wireless telephone and radio systems as an alternative to wire lines where such use is indicated to be the proper procedure.

While, as already stated, the Company has no intention of engaging itself in radio or television broadcasting, it is clear that the telephone companies have played an important part in the development of radio broadcasting by providing connecting links between studios or pick-up points and broadcast transmitters and between radio stations at widely separated points to permit simultaneous broadcasting of program material over a wide area. A large number of program circuits provided by wire facilities are now permanently established by telephone companies for the existing broadcasting stations, and country-wide wire program networks are also in constant use.

This use of telephone facilities has been essential to the growth and expansion of radio broadcasting. In the absence of such facilities, it would have been necessary for the broadcasting organizations to provide their own inter-connecting links and this would have been prohibitively costly. Since, however, pole lines, conduits, cables, etc., already established for telephone use are readily adaptable for radio program purposes, they provide a relatively inexpensive means of furnishing required inter-connecting wire links. The fact that such facilities have been readily available has made possible the present high development of radio broadcasting.

Television broadcasting is, in many respects, similar to radio broadcasting and in its development there is no doubt that provision will have to be made for many connecting links of a similar nature. Thus studio-transmitter circuits and networking facilities will be required. Such connecting links, while different to those for radio broadcasting because of the much wider frequency bands involved, can still be provided by wire and other facilities now available or which will be provided by the telephone systems in the development and expansion of their facilities. It may be pointed out further that television transmission usually involves sound transmission as part of the same program. Both sound and television transmission links are required for simultaneous use in giving this service.

Television has not as yet been introduced in Canada. In the United States and other countries, however, a number of television broadcasting stations are in operation and experimental work on development of this new service is proceeding rapidly. The telephone industry is playing an important part in the development of television by making available suitable wire and radio facilities to link up program pick-up and telecasting stations and to transmit program material for simultaneous broadcast at several points. Briefly, these facilities are as follows:

Wire Facilities

For television studio-transmitter circuits, ordinary telephone cable pairs are being employed. These are made suitable by employing special types of amplifiers along the cable route. While this type of facility has a relatively high transmission loss it can be used successfully over limited distances.

To extend the range of such local circuits, special low loss pairs have been developed for inclusion under the sheath of ordinary telephone cables. Such

pairs may be provided in trunk cables between telephone exchanges and can be made available at a cost which is very much less than if independent facilities requiring a separate sheath and conduits or pole supports were used.

For inter-city networks, several thousand miles of co-axial cable have been installed or are now programmed in the United States. These cables contain multiple pairs of co-axial tubes which are suitable for the transmission of very wide frequency bands and each pair of tubes can handle up to 600 telephone messages. The tubes are also capable of handling television program transmission. Thus co-axial cable system provides for a television network as well as for telephone message traffic. Co-axial cable is the latest development in telephone cables and will no doubt be put into use by The Bell Telephone Company of Canada when required.

Radio Facilities

Radio facilities operating in the microwave range have been developed by the Bell System for use similar to its wire facilities. For studio-transmitter circuits at locations where provision of wire facilities is impracticable or uneconomical, successful results have been obtained with radio.

For inter-city links, radio-relay systems have also been developed which, like the co-axial cables are capable of transmitting large numbers of telephone messages and television signals. The first of such systems was recently put into service between New York and Boston and has been employed in conjunction with co-axial cable to link television transmitters in Boston, New York and Washington.

Thus The Bell Telephone System, in providing instrumentalities for telephone communication, will also be in a position to assist in the economical development of television services both locally and over wide areas. It is only reasonable to assume that, as in the case of radio broadcasting, the telephone industry will be called upon to furnish wire and other facilities for television program transmission as this service develops.

It is for these purposes that the Company is seeking clarification of its powers referred to in section 5 and it is respectfully submitted that the clarification of the Company's powers as provided for in section 5 is in the public interest.

Corporate Name—French version

The last section of the Bill is intended to improve the French translation of the Company's corporate name as it appears in the French version of the Statutes.

The French version of the Company's Act of Incorporation passed in 1880 and the French version of all subsequent amending Acts give the Company's name as

"La Compagnie Canadienne de Téléphone Bell" followed by the English name The Bell Telephone Company of Canada in brackets.

The name "La Compagnie Canadienne de Téléphone Bell" translates into English as "The Canadian Bell Telephone Company" or the "Bell Canadian Telephone Company" and not into The Bell Telephone Company of Canada.

The Company has never used "La Compagnie Canadienne de Téléphone Bell" in any of its publications in the French language. We have always used "La Compagnie de Téléphone Bell du Canada" and the purpose of this proposed section is to regularize the use of the French version of the Company's name which the Company actually uses and which it prefers as the better translation.

This proposed change has been submitted to the Bureau of Translations which agrees that the name proposed is the better translation.
MONTREAL, May 4, 1948.

Respectfully submitted.

THE BELL TELEPHONE COMPANY OF CANADA

~~Can. Doc.~~ ~~Can.~~ ~~Can.~~ ~~10~~ Canada. Railways, Canals and Telegraph
Lines, Standing Committee on, 1949

(SESSION 1949 (2))

HOUSE OF COMMONS

Government
Publication

CA1
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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES)

MINUTES OF PROCEEDINGS AND EVIDENCE

in relation to

Bill No. 12

An Act to Establish the Canadian Overseas Telecommunication Corporation

TUESDAY, NOVEMBER 8, 1949

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1949



ORDERS OF REFERENCE

HOUSE OF COMMONS,
Wednesday, 12th October, 1949.

Ordered.—That the following members do compose the Standing Committee on Railways, Canals and Telegraph Lines—

Messrs.

Adamson	Gibson (<i>Comox-Alberni</i>)	McLure
Beaudry	Gillis	Murphy
Bennett	Goode	Murray (<i>Cariboo</i>)
Bertrand	Gourd (<i>Chapleau</i>)	Nixon
Beyerstein	Green	Noseworthy
Black (<i>Cumberland</i>)	Harrison	Pouliot
Bonnier	Hartt	Richard (<i>St. Maurice-Lafleche</i>)
Bourget	Hatfield	Riley
Breithaupt	Healy	Robinson
Cannon	Herridge	Rooney
Carroll	Hodgson	Ross (<i>Hamilton East</i>)
Carter	James	Shaw
Chevrier	Jutras	Stuart (<i>Charlotte</i>)
Clark	Lafontaine	Thatcher
Darroch	Lennard	Thomas
Dewar	Macdonald (<i>Edmonton East</i>)	Thomson
Douglas	Maybank	Weaver
Eudes	McCulloch	Whiteside
Ferguson	McGregor	Whitman—60.
Garland	McIvor	
Gauthier (<i>Portneuf</i>)		

Ordered.—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Friday, October 21, 1949.

Ordered.—That the following Bill be referred to the said Committee:—

Bill No. 12, an Act to establish the Canadian Overseas Telecommunication Corporation.

Wednesday, October 26, 1949.

Ordered.—That the name of Mr. Follwell be substituted for that of Mr. Bennett on the said Committee.

STANDING COMMITTEE

Tuesday, 8th November, 1949.

Ordered.—That the said Committee be granted leave to sit while the House is sitting.

Ordered.—That the quorum of the said Committee be reduced from 20 to 12 members and that in relation thereto Standing Order (63) (1) (b) be suspended.

Ordered.—That the said Committee be empowered to print, from day to day, 700 copies in English and 250 copies in French of its minutes of proceedings and evidence and that Standing Order 64 be suspended in relation thereto.

Attest.

LÉON J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE OF COMMONS

TUESDAY, 8th November, 1949.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as a

FIRST REPORT

Your Committee recommends:

1. That it be granted leave to sit while the House is sitting;
2. That its quorum be reduced from 20 to 12 members and that in relation thereto Standing Order 63 (1) (b) be suspended;
3. That it be empowered to print, from day to day, 700 copies in English and 250 copies in French of its minutes of proceedings and evidence and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

L. O. BREITHAUPT,
Chairman.

(Concurred in this day.)

TUESDAY, November 8, 1949.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as a

SECOND REPORT

Your Committee has considered Bill No. 12, "An Act to Establish the Canadian Overseas Telecommunication Corporation", and has agreed to report the said Bill without amendment.

All of which is respectfully submitted.

L. O. BREITHAUPT,
Chairman.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,
TUESDAY, 8th November, 1949.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11 o'clock a.m.

Mr. L. O. Breithaupt, Chairman, presided.

Members present: Messrs. Beyerstein, Bonnier, Breithaupt, Cannon, Carroll, Carter, Chevrier, Follwell, Gauthier (*Portneuf*), Gibson (*Comox-Alberni*), Gourd (*Chapleau*), Green, Harrison, Hatfield, Healy, Herridge, Lafontaine, Lennard, Macdonald (*Edmonton East*), McCulloch, McIvor, McLure, Murphy, Murray (*Cariboo*), Noseworthy, Pouliot, Riley, Rooney, Shaw, Weaver.—30.

In attendance: (From Department of Transport) Messrs. C. P. Edwards, CMG, Deputy Minister for Air; W. J. Matthews, General Counsel; W. E. Connelly, Superintendent of Radio; (From Canadian Marconi Company) Messrs. S. M. Finlayson, General Manager; D. F. Bowie, Traffic Manager; J. Fergus, Secretary and Treasurer; and Messrs. F. E. Richens, Ottawa Manager, Canadian National Telegraphs; A. Swinton, Manager, Western Union International Communications, Toronto; W. G. Keating, Supervisor, Contracts and Tariffs, Canadian Pacific Communications.

Mr. L. O. Breithaupt expressed appreciation of his re-election to act as Chairman of this Committee.

On motion of Mr. Lennard:

Resolved: That the Committee recommend that it be granted leave to sit while the House is sitting.

On motion of Mr. McCulloch:

Resolved: That it be recommended that the quorum of this Committee be reduced from 20 to 12 members.

On motion of Mr. Hatfield:

Resolved: That the Committee ask to be empowered to print, from day to day, 700 copies in English and 250 copies in French of the minutes of proceedings and of the evidence taken before the Committee.

The Committee proceeded to consider, clause by clause, Bill No. 12, "An Act to establish Canadian Overseas Telecommunication Corporation".

The Honourable Mr. Chevrier (Minister of Transport) made a statement and was questioned thereon.

Mr. W. E. Connelly, Superintendent of Radio, Department of Transport, read a brief and was questioned thereon.

Statements were made by Messrs. C. P. Edwards, Deputy Minister, Department of Transport and S. M. Finlayson, General Manager, Canadian Marconi Company.

STANDING COMMITTEE

Clauses 1 to 25 of the Bill, both inclusive, were considered and adopted without amendment.

The title was carried.

On motion of Mr. McCulloch:

Ordered: That the Chairman report the bill without amendment.

The Committee adjourned at 12.55 p.m., to meet again at the Call of the Chair.

T. L. McEVOY,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
November 8, 1949.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11.00 a.m. The Chairman, Mr. L. O. Breithaupt, presided.

The CHAIRMAN: Gentlemen, we have a quorum for the committee so we will get started. In the first place I want to thank the members of the committee for reappointing me chairman. As in the past, we will try to do our best to get the business in hand done with the greatest possible despatch. It seems to me that it is not stretching the point at all to state that as is usually the case there are a lot of serious matters to come before this committee. Certainly what was said in the House at the beginning of the session, that with reference to various committees some of them did not have enough to do—that statement could not very well be applied to this committee, not only in the light of its past experience but also considering the reference which has been made to us for this session.

Our first business will be to dispose of routine motions.

(See *Minutes of Proceedings*.)

The CHAIRMAN: Gentlemen, we now come to consideration of Bill No. 12. I assume it is your wish that we consider the bill clause by clause; and if that is the case, before we proceed further, I will call clause 1. And I think at this point, if you are agreeable, we might hear a short statement from the minister in connection with the Bill which we are now to consider, and of which I hope everyone has a copy. If you have not, there is a supply of additional copies here.

Hon. Mr. CHEVRIER: Mr. Chairman and gentlemen, if it is your pleasure I would simply like to say very briefly that this matter has been under discussion now on at least two occasions; once when the resolution preceding the bill came up in the House, and again on second reading when the bill was referred to this committee for consideration. To recapitulate what has already been said, let me say that Bill 12, "An Act to Establish the Canadian Overseas Telecommunication Corporation," was presented to Parliament because of an agreement, an intercommonwealth agreement, which was signed in London on the eleventh day of May, 1948, by all members of the commonwealth in which it was agreed that we would nationalize our telecommunications, our external telecommunication services. The Acting Prime Minister of the day, The Right Honourable Mr. Hsley, made a statement in the House of Commons shortly after this agreement was signed by Canada that Canada would implement the agreement, and that is being done by this bill.

The bill has two purposes. First, to acquire the external telecommunication facilities of Canadian Marconi Company, Limited, and of Cable and Wireless Limited in this country. That is the first object. The next object is to do this through the medium of a crown company. It could be done by means of a division of the Department of Transport. That has even been suggested in the discussions in the House, but I do not feel that that would be nearly as effective as the establishment of a crown company.

Then, concerning the assets to be taken over. I will not go into that in detail because more comprehensive data will be placed before you for discussion and consideration. They are the assets of Canadian Marconi and of Cable and Wireless. I do not need to state them here, but they have been put on the

record in the House in a general way. The cost of taking these over, of course, cannot be known definitely. A guess has to be taken at it, and the officers of the department in consultation with others have put a valuation on these assets; but the amount of \$4,000,000 is mentioned in the bill because it is felt that it will not require an amount exceeding \$4,000,000; and in view of the fact that any resolutions requiring the expenditure of public funds must have an amount, our officers used that figure, because it was estimated that the purchase price should certainly not exceed that. You will hear from them as to how they arrived at the valuation. You will hear from them as to what they think it is worth. But, although I am not attempting to limit the activities of the committee in any way, I hope you keep this in mind; that the assets of Canadian Marconi and Cable and Wireless have yet to be purchased and prolonged discussion may make it more difficult or more costly for the government to purchase at a price we think they are worth. Now, the assets of Canadian Marconi and Cable and Wireless which are being taken over represent property and equipment used in connection with external communication services; they do not include any of their other assets such as radio broadcasting stations.

This crown company we are talking about will not take over assets of that nature in any way whatsoever. And I would refer again to the information which I gave the House when discussing this matter, that we are not taking over any liabilities either. The information indicates that on the telecommunications side Marconi showed a substantial profit in 1948.

The question arises, of course, why are we taking these facilities over? As I said a moment ago, it is because we are committed; and there is another reason and that is for strategic purposes. It was agreed generally that we should have control in time of emergency over our telecommunications system. For many years these services were under the control of Cable and Wireless and their policies were not acceptable to the various commonwealth countries; so they gathered for many conferences, the last of which took place in England, and they agreed to this method of proceeding.

Some suggestion was made during the debate concerning monopoly. I will not go into that now because there are some technical officers here who will be able to do that. I do not think this nationalization will create a monopoly in any sense because there is a considerable amount of competition as it is now.

Mr. McLURE: May I ask the minister one question?

Hon. Mr. CHEVRIER: Yes.

Mr. McLURE: Will this create a monopoly?

Hon. Mr. CHEVRIER: It will not, in so far as Canada is concerned; the same action is being taken by the United Kingdom government. They have agreed to do the same thing as we have under this agreement, and they have already nationalized their telecommunications system over there.

Mr. McIVOR: It is nationally owned?

Hon. Mr. CHEVRIER: Every commonwealth country will participate in it.

Mr. McLURE: But this bill gives the power to take over the Canadian interests in telecommunications?

Hon. Mr. CHEVRIER: That is right.

Mr. McLURE: You do not have any control over cables?

Hon. Mr. CHEVRIER: Over cables, no.

This bill, if you will look at it quickly, may be divided into five parts: First, it establishes a crown company; next, it sets out the powers and purposes of the company; thirdly, it provides that company with a staff; fourthly, it defines financial arrangements and the limitations of the corporation; and lastly, it sets up rules and regulations to govern its operations. Clause 3, and other clauses succeeding, establish the corporation. Provision is made for a

board of directors, one of whom is to be president and general manager; and who, together with the Vice-President, will be appointed by the governor-in-council for a term of seven years. There are to be five directors. Four of them would not be paid for their services, save and except for their attendance at meetings. There will therefore be only one salaried member of the board of directors. Then the corporation will be an agent of the crown. This is the same procedure which was followed in the case of the crown companies set up in the Department of Munitions and Supply during the war, as in the case of the National Harbours Board, and in the case of the crown companies which now operate.

With respect to financial arrangements, you will note that this company's powers are limited in so far as the purchase of materials is concerned, and the entering into contracts and leases and the like. That will be dealt with as we go on. Finally, the Minister of Finance is authorized to advance the funds necessary to take over these assets plus the advance of a fund necessary for working capital, and he is authorized to make loans to the corporation from time to time. Any profit that is made will be paid into the federal treasury and any deficits that occur will be paid by a vote in the estimates.

There are several officers of the department here prepared to discuss the bill. Mr. Connelly is the technical man and he is quite familiar with that aspect of it. I have to deal, of course, only with questions concerning general policy. I am not competent to deal with purely technical matters. Unless you have some further questions you would like to ask on policy, and if you are ready at this stage, perhaps the best procedure would be to hear Mr. Connelly and then we can get into a general discussion after he has made his statement.

The CHAIRMAN: If that is quite agreeable to the committee, Mr. Minister, and it appears advisable, we will accept your suggestion that at this point we hear Mr. Connelly who is Superintendent of Radio in the Department of Transport. I believe Mr. Connelly has prepared a statement for distribution which will now be made available to the members. We will now call Mr. Connelly:

Mr. ROONEY: May I ask a question at this point? Who will be the manager of this company, Mr. Minister?

Hon. Mr. CHEVRIER: The president will be the manager, and there will be a vice-president. Neither of these officers has been selected as yet, of course.

W. E. Connelly, Superintendent of Radio, Department of Transport, called:

The WITNESS: Mr. Chairman and gentlemen, the information I have prepared is now before the committee. This memorandum contains information which we feel is relevant to the subject that you have under consideration. I have gone through many files, we have many volumes of information on our files, but we feel that this is giving you the subject as it is. We are quite prepared to give further information if that is considered necessary. Now, Mr. Chairman, I deal first in this memorandum with:

INFORMATION RELATING TO BILL TO ESTABLISH THE OVERSEAS TELECOMMUNICATION CORPORATION

I Cable System

Prior to the gradual development of long distance radio communication during the first quarter of the 20th Century, the various parts of the British Commonwealth were linked together by submarine telegraph cable systems partly operated by the United Kingdom Post Office, partly by private enterprise

and partly by the "Pacific Cable Board" which was controlled jointly by the Governments of the United Kingdom, Canada, Australia and New Zealand.

II Development of Long Distance Radio Communication.

1. With the expansion of the radio services a situation developed whereby the cable undertakings operating between the constituent parts of the Commonwealth would be unable to continue on a paying basis in the face of unrestricted competition on the part of the "Beam Radio Services", which were operated by the Post Office in the United Kingdom and by private companies in the other Commonwealth countries. In Canada the Beam Service is operated by the Canadian Marconi Company. To examine this situation the "Imperial Cable and Wireless Conference" was called in London in 1928.

2. The result of this conference was the merging of certain cable and radio interests under one company known as "Imperial and International Communications Limited" (I. & I.C.) with a capitalization of £30,000,000. (In 1935 the name was changed to "Cable and Wireless Limited".)

3. At the same time, in order to protect the interests of the various governments, a Commonwealth Communications Advisory Committee (C.C.A.C.) was set up consisting of representatives of each of the Dominions and Colonies with certain powers of control over policy, services and rates etc. This committee was the official means of communication between the various governments and the company. The title was changed in 1944 to "Commonwealth Communications Council" and in 1949 to "Commonwealth Telecommunications Board".

Mr. CARROLL: May I ask a question there? How about the government of the Commonwealth of South Africa, do they not have control over this there?

The WITNESS: I did not get your question.

Mr. CARROLL: I see that you have left out the government of South Africa, do they not have control over their own communications? I notice they are not mentioned.

The WITNESS: I should have mentioned South Africa, yes. South Africa has taken over control of their communications.

Hon. Mr. CHEVRIER: They signed the agreement.

Mr. CARROLL: I merely asked that question because I noticed that South Africa had not been included in your statement.

The WITNESS:

III Agreement with Imperial and International Communications Limited

1. In 1929 the C.C.A.C. negotiated an agreement with the I. & I.C. whereby the standard net revenue of the latter was fixed at £1,865,000 or approximately 6 per cent and all earnings in excess of this amount were to be divided, 50 per cent to the company and 50 per cent to the reduction of rates or to such other purpose as the Advisory Committee might approve.

It was not long after the formation of the I. & I.C. that the unsatisfactory operating position of the Company became apparent. In addition to the adverse trade conditions of the depression years of the thirties it was found that the Company had to contend with the competition of foreign rivals, particularly foreign radio communication Companies, and also the development of further radio services within and without the Commonwealth all of which resulted in a marked decrease in the volume of traffic when compared with traffic handled in 1929. In fact, between 1929 and 1937, the Company failed in any year to earn the standard net revenue of £1,865,000.

IV New Agreement with Cable and Wireless Ltd. (Ex. I. & I.C. Ltd.)

1. An "Empire Rates Conference" was held in 1937 at the request of the Company, when the standard net revenue was reduced to £1,200,000 or 4 per cent of the capital of the Company. The Company had asked for an increase in rates but the Conference considered that the rates between many parts of the Empire were too high, for example, the rate at that time from Canada to South Africa was 58c, to India 51c and to the Malay States 86c per word. As a result of this Conference, there was established in 1938 a maximum per word rate of 30c on ordinary messages exchanged between any two places within the Commonwealth with the proviso in each case, that no existing rate would be increased. The rates between Canada and the United Kingdom, therefore, were not affected but the rates between Canada and many other parts of the Commonwealth were considerably reduced.

2. In return for this reduction of rates by the Company, in many relations, the Commonwealth Governments agreed:

(a) to maintain the policy of concentrating overseas telegraph traffic on the systems of Cable and Wireless Limited and its associates;

(b) to use their best endeavours to stop the circulation of traffic over foreign services using circuitous routes, and to resist the routing of traffic through foreign organizations not established in their respective territories where the Cable and Wireless Limited system has a suitable route which can carry the traffic;

(c) to continue the policy of resisting the authorization or opening of new circuits which would be detrimental to Cable and Wireless Limited or its associates in the British Empire;

(d) to afford Cable and Wireless Limited and its associated Companies overseas the opportunity of taking over on reasonable terms any external commercial wireless telegraph transmission services in the extra-European system at present operated by Governments where or if such services compete with the Companies' services;

(e) to extend Cable and Wireless Limited's agreements and licences so as to run concurrently for 25 years with the United Kingdom licences, subject to such modifications as may be necessary arising from these proposals;

(f) to grant the Company, subject to reimbursement of actual out-of-pocket expenses, reasonable facilities for publicity in the offices of the Empire Administrations and in official publications dealing with communications;

(g) not to require terminal or transit payments on traffic handled exclusively by Cable and Wireless Limited and its associates.

V Direct Radio Circuits

1. Notwithstanding these commitments, direct radio circuits were established during the war, between the United States and many parts of the Commonwealth, including Australia, New Zealand and India. Originally such circuits were placed in operation for the duration of the war and for six months thereafter. It became evident however, that it would be inexpedient to insist on closing some of these direct circuits.

2. The problems arising from the opening of these direct circuits were considered at the "Commonwealth Telegraph Conference" held in Australia in 1942. One of the conclusions reached by this Conference was that the system as a whole was related perhaps in too great a degree to the extensive cable system which had been built up over a period of many years. On the other hand, it was recognized that although radio circuits had economic advantages, they had not attained complete superiority over submarine cables

and that for this reason, continued maintenance of the cable services was essential to an overall efficient telecommunication service. Accordingly, it was recommended by the Conference that the Commonwealth Communications Council should undertake a complete review of the communication system of the Commonwealth with the object of evolving a system which would ensure proper provision for the development of wireless communication and co-ordination between wireless and cable communication.

VI *Commonwealth Partnerships*

The Commonwealth Communications Council in their report concluded that it had become imperative to consolidate and strengthen the wireless and cable systems of the Commonwealth. Negotiations among the various Governments of the Commonwealth commenced in the summer of 1944 following recommendations submitted to them by the Council, in favour of a policy of Commonwealth partnership. Early in 1945, Lord Reith, on behalf of the United Kingdom Government, visited each of the Dominions to explain the point of view of the United Kingdom. Following these discussions with Lord Reith, a Commonwealth telecommunications conference was held in London in July, 1945. The conference unanimously recommended public ownership by all the Commonwealth Governments of their respective overseas telecommunications services. This would realize the main principle of the Statute of Westminster—namely, the establishment of partnership rather than control by one partner of the others. At the same time local sovereignty would be safeguarded.

VII *Commonwealth Telegraphs Agreement*

1. As a result of the 1945 and subsequent Commonwealth conferences, an agreement called the "Commonwealth Telegraphs Agreement" was signed by representatives of the Commonwealth Governments on May 11, 1948.

2. Under the provisions of this Agreement, each Partner Government is committed:

(a) to acquire the external telecommunication assets operating within its territory with the exception of "Cable Heads".

(b) to nominate an existing Department or establish a public corporation to be known as "The National Body" for the purpose of acquiring, operating and maintaining such assets.

(c) to representation on a "Commonwealth Telecommunications Board" to be established.

3. With respect to these commitments, the following observations are submitted:

(a) The respective Government of the United Kingdom, Australia, New Zealand, South Africa, India and Southern Rhodesia have already established their "National Bodies" and have either acquired or are in the process of acquiring the external telecommunication assets within their respective territories.

(b) The United Kingdom National Body is to operate and maintain all assets not situated in the territories of any Partner Government, and also the cable heads within such territories.

VIII *Assets to be Acquired by Canadian National Body*

CANADIAN MARCONI COMPANY

1. (a) *Drummondville, P.Q., Transmitting Station*

Station Site—640 acres located in St. Simon, Wickman Township, Drummond County, P.Q.

Station Building—Brick construction—Floor area—9739 sq. ft.

Housing radio telephone and telegraph transmitters, rectifier, motor generators, power distribution switchboards, radio circuit control, test and measurement apparatus, and including offices, staff quarters and machine shop facilities.

Pump House—Brick construction—floor area—732 sq. ft. Housing pumps, tanks, etc. for water and oil cooling of radio transmitters.

Garage & Carpenter's Shop—Concrete construction—floor area—639 sq. ft.

Staff House—Two storey, 13 rooms. Brick encased.

Two Dwellings—Two storey, 7 rooms. Brick encased.

Riggers Shed & Garage—Wood—floor area—809 sq. ft.

Quonset Hut—Storage—floor area—840 sq. ft.

Microwave Hut—Wood—floor area—120 sq. ft. Housing 4 VHF transmitting and receiving equipments for communication purposes with Yamachiche Station and the Central Telegraph Office, Montreal.

Water Cooling Pond—Associated with pump house equipment.

Telegraph Line Systems—Comprising overhead lines and buried cable between site entrance and station building.

Power Supply Facilities—Comprising high tension overhead line system from site entrance.

—Substation including 6—100 kw. transformers.

—Switching Tower.

• Towers and Masts (erected)—Eight 300-ft. towers. 41 masts, 100 ft. approx., steel or wood.

Antennae—16 directional antenna systems complete with transmission lines, matching and switching facilities. 6 microwave directional aeriels complete with wave guide, erected on 300-ft. tower.

(b) Yamachiche, P.Q., Receiving Station

Station Site—492 acres located in the Parish of Ste. Annes D'Yamachiche, County of St. Maurice, P.Q. Also 4.7 acres located in Pointe de Lac, P.Q. (part of water supply system).

Station Building and Staff Quarters—Brick construction—floor area 7,304 sq. ft. Housing radio receivers, frequency measurement equipments, feeder patching board, engine generator emergency equipment, circuit control test and measuring apparatus, power supply control facilities and including offices, unmarried staff quarters and machine shop facilities.

Garage and Carpenter's Shop—Concrete—floor area 639 sq. ft.

Four Dwellings—Brick encased, 6 rooms.

One Dwelling—Wood, 6 rooms.

Two Store Houses—Galvanized iron.

Garage—3-car, wood.

Microwave Hut—Wood—floor area 100 sq. ft. Housing 2 VHF transmitting and receiving equipments for communication purposes with Drummondville Station and the Central Telegraph Office, Montreal.

Water Supply System—Comprising 20,000 ft. of pipe, reservoir on Yamachiche site, and reservoir and filter at the Pointe de Lac site location.

Telegraph Line Systems—Comprising overhead lines and buried cable between site entrance and station building.

Tower and Masts—Eight 300-ft. towers. 38 masts (steel or wood), 65 ft. to 100 ft. height.

Antennae—16 directional antenna systems complete with transmission lines and matching devices. Three microwave directional aeri-als complete with wave guide, erected on 300-ft. tower.

(c) *Marconi Building at 211 St. Sacrament Street, Montreal*

Four-Storey Building—Stone and brick 80' 6" x 70' 3" with full basement, one elevator and 10 vaults, floor area approximately 25,000 sq. ft.—cubical content: Main building, 310,993 cu. ft.; basement, 48,659 cu. ft.; total, 359,652 cu. ft.

(d) *Toronto, Ont. and Vancouver, B.C., Production Offices*

FURNITURE AND STATIONERY

2. CABLE AND WIRELESS LIMITED

(a) *Bamfield, B.C.*

LAND

110 acres—All the company's buildings are erected on this land (½ acre leased to United Church of Canada).

80 acres—Contains a reservoir and standing timber.

BUILDINGS

Main Office—Instrument room, manager's offices, workshop, test, A.L., practice, records, stationery, store and battery rooms, etc.

Manager's Residence; Cottages Nos. 1-12; Flats Nos. 1 and 2—All occupied by company's staff.

"Batchelor" Quarters—Mess, library and billiard room—with bed and other rooms.

Quarters (Servants)—Occupied by servants.

(b) *Montreal, P.Q.*—Electrical equipment, furniture and stores.

(c) *Halifax, N.S.*—Electrical equipment, furniture, stores and underground lines between the C.P.R. office on Barrington Street and the Cable Heads in Point Pleasant Park.

(d) *Harbour Grace, Nfld.*—Land—One-third acre (approx.) Buildings—One two-storey brick, covering an area of 3,000 sq. ft. Electrical equipment, furniture, stores and landline from Harbour Grace to Brigus.

(e) *Toronto, Ont. and Vancouver, B.C., Production Offices.*

FURNITURE AND STATIONERY

(f) *St. John's Nfld.* The radiotelephone station and equipment in Newfoundland are owned by the Canadian Marconi Company and operated on their behalf by the Avalon Telephone Company.

It was not our intention originally to take over these assets, but now that Newfoundland is a province of Canada, the situation is somewhat different. We may or may not decide to acquire these assets, depending upon what agreement can be reached with the Canadian Marconi Company concerning their operations in Newfoundland.

IX Funds to Acquire Above Assets.

The estimated amount required to purchase these assets and to provide working capital for three or four months until revenue from earnings can be realized is \$4,500,000 made up as follows:

Purchase of Marconi radio transmitting and receiving stations and associated equipment	\$2,500,000
Purchase of the Marconi Building, including necessary alterations and transfer of certain cable and wireless equipment from the Canadian Pacific Telegraphs Building to the Marconi Building	350,000
Cable & Wireless, Limited, assets in Canada	700,000
Contingencies (11%) including an allowance for any award which may be made for goodwill	450,000
Working capital	500,000
	<hr/>
	\$4,500,000

Mr. McLURE: I would like to ask one question here: does this mean that the Canadian Marconi Company are going out of business?

Hon. Mr. CHEVRIER: No, the Canadian Marconi Company would not go out of business in so far as its broadcasting stations or its radio manufacturing interests are concerned, but it will cease to operate its external telecommunication facilities.

The WITNESS:

X Composition and Functions of the Commonwealth Telecommunications Board

1. The Board shall consist of members, to be appointed, as follows:

- (a) One, a chairman, jointly by the Partner Governments.
- (b) One, by each of the Partner Governments separately.
- (c) One, by the United Kingdom Government to represent British

Commonwealth and Empire Territories not directly represented by other members.

2. The functions of the Board will be advisory and will include recommendations with respect to:

- (a) the formulation of joint telecommunication policy including rates;
- (b) the co-ordination and development of the wireless and cable systems of the Commonwealth;
- (c) the co-ordination with the appropriate authorities of telecommunication matters affecting the defence of the Commonwealth.
- (d) the co-ordination and conduct of research;
- (e) negotiations with foreign telecommunication interests, if requested to undertake these by the Commonwealth Governments.

XI Representation on the Board

1. From 1945 to 1947 Canada was represented on the Commonwealth Communication Council by Mr. W. A. Rush, Ex-Controller of Radio. In 1948, he was replaced by Mr. J. H. Tudhope, Ex-Traffic Manager of Trans-Canada Air Lines. Our representation on the Council has been augmented as required when matters of special importance are on the agenda. Commander C. P. Edwards, Deputy Minister for Air Services, attended the Council meetings in May, 1948. Mr. M. W. Sharp, Director, Economic Policy Division, Department of Finance, in October 1947 and Mr. W. E. Connelly, Superintendent of Radio has attended on several occasions.

2. The Commonwealth Telecommunications Board came into existence on 31st May, 1949, the date on which the British "Commonwealth Telegraphs Act"

Q. So cables originating in their offices will go by this board which is being set up, but not from Canadian National?—A. Mr. Chairman, I might mention here that there are what they call routed and unrouted messages. Each company has a form. The Canadian Marconi Company has a form; Imperial Cable has a form; Commercial Cable has a form, and also Western Union, and Anglo-American. They all have their own forms. You go into a Canadian Pacific office and ask for a Canadian Marconi form and write out your message on that form, then your message will be routed over the Canadian Marconi wireless circuit. If you ask for an Imperial Cable form, your message will be routed through that company, and similarly with each of the other companies concerned. The Canadian Pacific Telegraphs is also the agent for the Commercial Cable Company and if your message is written out on a Commercial Cable form it will go by that company. However, if you just write your message on a form of one of the Canadian Telegraph Companies the same as is used for a domestic message, with nothing indicating the route by which you wish to have it sent, it is called an unrouted message and it may be transferred to any connecting overseas carrier at the discretion of the telegraph company with which it is filed. The Canadian Pacific Company, for example, will allocate such unrouted messages to the three companies for which they act in proportion to the volume of business received from each of these companies. For instance, if the C.P.T. receive messages from the Canadian Marconi Company, the Imperial Cable and the Commercial Cable in equal proportion and three unrouted messages are filed, they will send one of them by Commercial, one by Imperial and one by Canadian Marconi.

Q. What messages would this company handle?—A. This company would handle messages going by Canadian Marconi, Imperial Cable or Commercial Cable.

Q. In other words, when I go into a C.P.R. office and ask for a cable form it goes through a board company but if I go into a Canadian National Telegraph office and ask for a cable form it goes over Western Union. The C.P.R. are soliciting messages for this company but our own company, our own government-owned company, is not. Is that right?—A. Yes, except that messages filed with the Canadian Pacific may also be routed via the Commercial Cable which is also an American company.

Q. I don't see why that should be.—A. Well, Mr. Chairman, the reason for that is that Canadian National Telegraphs have a long-term agreement with Western Union as the agent of that particular company and the terms of that agreement do not permit them to be the agent for any other communications company at the present time, and that is the reason why they are not the agents for the commonwealth company. They were the agent for the Canadian Marconi Company, up until 1939 when they were unable to renew this agreement—I think it had run for 10 years or something of that order. They had permission from the Western Union prior to 1939 to act as agents for the Canadian Marconi Company but when the matter of renewing their agreement with the Marconi Company came up Western Union said they were not prepared to permit them to do so unless they paid them something like \$100,000 per annum for losses of revenue which that company would sustain as a result of their carrying on as agents for this company.

Mr. McIVOR: Does that not place the C.N. Telegraph Company at a disadvantage?

Commander EDWARDS: They made their agreement.

Mr. HATFIELD: But that does place them at a disadvantage.

Commander EDWARDS: I think we should say for the information of the committee that the C.P.R. have always been the agents for Imperial Cable and they have always had a contract with Imperial Cable to handle all that traffic and they have always been the company which leased the line which carries transit traffic between cable points at Halifax, N.S., and Bamfield, B.C. Canadian

Marconi Company originally had a contract with the C.N.R. to handle all of that stuff in Canada but that agreement ceased in 1939 when the contract expired and they did not see fit to renew it. Then the C.P.R. entered into a contract with Marconi to handle their traffic just the same as they handled the Imperial contract, and that is how the matter stands. But I have no doubt that if you went into a Canadian National Telegraph office and said you wanted your message routed through Marconi they would send it that way.

Hon. Mr. CHEVRIER: I think, Mr. Chairman, the point at issue here is simply this: that having regard to the taking over of these services, we must take them as they are, we cannot undo an agreement which the Canadian National Telegraph have with Western Union; nor can we undo an agreement which Canadian Pacific have with Canadian Marconi. We must take that as it is.

Mr. HATFIELD: As far as Canadian National and Marconi enter into it, the cables are owned by Imperial or Western Union: is that right?

The WITNESS: That is right.

Mr. HATFIELD: Imperial have theirs, Western Union have theirs and other companies have theirs; is that right?

The WITNESS: I cannot answer that, sir.

Mr. CARTER: Am I right in my understanding that this crown company operates the radio telephone circuit between Montreal and St. John's?

Hon. Mr. CHEVRIER: The memorandum just read indicates that it has not been decided to take that over, operation to remain as it is; but the corporation, once it is established, will have to decide whether it will take over that circuit or whether it will continue under Canadian Marconi as it is now.

Mr. CARTER: As a matter of general policy would that crown company operate the radio telephone system inside Canada?

Hon. Mr. CHEVRIER: No, this is only for external communications.

Mr. CARTER: Yes, that is what I thought.

Mr. CARROLL: Would you make it part of the crown company; would the whole of the Marconi Company in Canada be taken over?

Hon. Mr. CHEVRIER: I think the question of the circuit to Newfoundland will depend a great deal on the survey which will be made by the corporation. I think what raised the doubt in the memorandum and in the minds of the officers concerned is the fact that they did not have an opportunity of going to Newfoundland to assess the equipment and so on. I think if they come to the conclusion that it is in the general interest action will be taken.

The CHAIRMAN: I think that comes up under clause 6(b). We can discuss that when we come to subsection (b) of clause 6.

Mr. HATFIELD: The reason for setting up this crown company is because the contract with the Canadian National Telegraphs was with the Western Union?

Hon. Mr. CHEVRIER: No. The reason for doing this is because of an intercommonwealth commitment.

Mr. HATFIELD: Why should not this business be handled by Canadian National Telegraphs?

Hon. Mr. CHEVRIER: Because they have an agreement with a competitor, Western Union.

Mr. HATFIELD: That is what I asked you.

Mr. ROONEY: There are two things I would like to ask.

Mr. LENNARD: Mr. Chairman, I wonder if the members of the committee would stand so we could hear them better.

The CHAIRMAN: Oh yes. I will ask members to stand when they speak, please.

Mr. ROONEY: There are two questions I would like to ask while I have them fresh in mind. The first is this. I believe that as Newfoundland is part of Canada there should be no exceptions made, and that that should be made clear as soon as possible, because the people of Newfoundland might think that we were making some exceptions. The other point I want to bring up is this: we are setting up this intercommonwealth communications board, how would control be established? Will it be by the number of representatives who will sit on the board—that would give the United Kingdom people a majority, would it not? Would the United States have control, or would England have it?

The CHAIRMAN: The United States is not a party to this. It is a commonwealth agreement.

Mr. ROONEY: Who would have control? Has England more representatives on there than we have?

The WITNESS: There is one representative from each partner government, that is one from the United Kingdom, one from Canada, one from Australia, one from India, etc. The United Kingdom also has one covering the colonies.

Mr. ROONEY: Who would have, for instance, if a point came up and it was a tie, who would have the deciding vote?

The WITNESS: The Chairman, who was appointed by all parties.

Mr. HERRIDGE: As the majority of Canadians would like to see their cables sent over this Canadian system, could the Canadian National Telegraph make any arrangements so that any customer coming into the Canadian National cable office to send a message, would he be given the choice of directing the message over Western Union, or over our own system?

Hon. Mr. CHEVRIER: I think if a customer goes into the Canadian National telegraph office, and says he wants his message routed this way, it will be.

Mr. HATFIELD: When does the C.N. contract expire with the Western Union?

The WITNESS: Mr. Chairman, I am not sure when it expires but I think it is somewhere around 1964. That is just a year that comes to my mind.

Mr. HATFIELD: That is a long-term contract.

The WITNESS: It is a long-term contract but whether that is the exact year of termination, I am not able to say precisely. I tried to get that information but I did not manage to get it.

Mr. ROONEY: One other point that I had in my mind when I got up before: it says here that the commonwealth has an agreement with the United States known as the Bermuda Agreement of 1945 covering—I will not read it, but the agreement limits the number of direct radio or telegraph circuits within the United States and any commonwealth country and defines the class of traffic which shall be handled over such circuits. Now, is it possible that the United States can dictate to us under this agreement the number of circuits that we could use between any of the commonwealth countries or the United States?

The WITNESS: Mr. Chairman, I think it is just the reverse. The limitation placed on these circuits is put there by the commonwealth countries. In other words, if they have a circuit between the United States and Australia, they can only send terminal traffic over that circuit. They cannot accept a message from Australia addressed to any part of Europe or the United Kingdom.

Mr. LENNARD: Has the United States any influence or control over the rates?

The WITNESS: Mr. Chairman, the only control that the United States or any company has over rates is over its own rates. Unfortunately however, they do affect telecommunication companies. If the United States has a circuit, for

example, from the United States to South Africa, then if they reduce their rates to South Africa, it is practically necessary for us to reduce our rates to South Africa in order to meet the competition, but that is the only sense in which the United States will have any control over the rates.

Hon. Mr. CHEVRIER: Who fixes the rates on our own commonwealth circuits?

The WITNESS: They will be fixed by the telecommunications board but it will only be on recommendation to the governments of the respective countries, and all countries must agree to the rate change.

Mr. LENNARD: I notice here an American press despatch, dated Washington, November 4th:—

The Federal Communications Commission today announced details of an international agreement to drop the full rate for overseas telegrams and cables by 25 per cent.

I wonder if that would enter into this picture?

The WITNESS: Mr. Chairman, that relates to the international conference that we had in Paris this past summer. That in itself is quite a big question. At the International Telegraph and Telephone Conference held at Paris last summer we made a great many changes regarding international traffic regulations, and one of the changes is that we are going to do away with what we call deferred messages. We are going to do away with what we call CDE, that is, code messages, as such. Under the old regulations and the regulations which will prevail to the end of June, 1950, if you want to send a code message, you can send it for sixty per cent of the rate applicable to a plain language message between the same places, and that will be done away with, so you will pay the same rate as the ordinary plain language message. Now you can send a deferred message, which is one that is sent after all the fully paid messages have been sent. But the service has developed to be so efficient that there is really very little delay in a deferred message. Consequently, we felt that it was unfair to be giving a man a fifty per cent preference in charges on a message which was really getting the same treatment as an ordinary message, so we are going to do away with deferred messages. Now the result of that is that we will reduce the international rates which are in gold centimes. They are to be reduced by twenty-five per cent on the 1st of July, 1950. The rates to be reduced are the rates that will be in effect on the 1st of February, 1950. We have to notify our rates to the international bureau at Geneva before the 1st of February so that they can determine the rates to be charged in July, 1950. It has no real bearing on this particular question. In other words eighty per cent of the commonwealth traffic is between the commonwealth or between the commonwealth and the United States. The arrangements do not come under the regulations made at the international conference but under Article 40 of the International Telecommunication convention, Atlantic City, 1947. The International Regulations Paris 1949, therefore, will only apply to a very small proportion of the over all traffic.

Mr. ROONEY: The Chairman has a deciding vote, you say. How long does he sit? Is he empowered for one year, two years, or for what period?

The WITNESS: I think he sits, Mr. Chairman, until he is removed, but he can be removed.

Mr. ROONEY: He can be removed?

The WITNESS: Yes.

Mr. CARROLL: Just one more question. If the Marconi station is not taken over by this crown company will the Marconi at Newfoundland be permitted to send messages to the other commonwealth nations?

The WITNESS: No. That circuit is just between Montreal and St. John's, Newfoundland. It is not an overseas circuit. They would have to get a licence from the Department of Transport before they can extend the service.

The CHAIRMAN: As a good many of these questions will come up under the various clauses, perhaps you are now ready to consider the bill, clause by clause. Shall clause 2 carry?

Carried.

Mr. CANNON: It has been stated in this memorandum that the cable heads are not to be acquired by the corporation, but they are to remain the property and under the administration of the different companies. Why is that?

Hon. Mr. CHEVRIER: Because the cable heads were specifically excluded from the agreement signed in London.

Mr. CANNON: Why? It says so here, I know, but why?

Hon. Mr. CHEVRIER: It is really not part of the cable and that is why it was excluded. It is a technical question, however, that I cannot answer myself.

Mr. CANNON: The cable is not taken over?

Hon. Mr. CHEVRIER: The cable head is not taken over.

Commander EDWARDS: When a cable leaves the water, you have to land it somewhere, so they have a little hut and the cable comes into this hut. Now we go in with our land lines, go through the wall and make our connections to the cable inside that hut.

Mr. HATFIELD: What is the good of the cable without the cable head?

Commander EDWARDS: You have to connect it somewhere. They wanted to keep this building and we had no objection.

The CHAIRMAN: Shall clause 2 carry?

Carried.

Shall clause 3 carry?

Carried.

Mr. CANNON: I have not had time to read clause 3. Could I suggest that the clauses be read?

The CHAIRMAN: No, that is not the custom in committees. We will proceed along the usual lines. Shall clause 4 carry?

Carried.

Mr. McLURE: Are there only two salaried men?

Hon. Mr. CHEVRIER: Only one salaried director. There will be far more than two salaried men.

Mr. MURRAY: What is the salary of each?

Hon. Mr. CHEVRIER: It has not been determined yet.

The CHAIRMAN: Shall clause 5 carry?

Carried.

Shall clause 6 carry?

Mr. GREEN: I notice this clause sets out in (b) "to carry on the business of public communications by cable, radio-telegraph, radio-telephone, or any other means of telecommunication between Canada and any other place and between Newfoundland and any other part of Canada".

Why is the power taken to deal with those communications to deal with communications between Newfoundland and Canada?

Hon. Mr. CHEVRIER: Mr. Connelly has already dealt with that in his memorandum.

The CHAIRMAN: I think Mr. Connelly can briefly cover the point that Mr. Green raised there without too much detail.

The WITNESS: I wonder, Mr. Chairman,—it is only a short paragraph, may I read it? It is found on page 10 of my brief.

1. When the Bill was drafted, Newfoundland was not a Province of Canada, so at that time the radiotelephone circuit between Montreal (Drummondville/Yamachiche) and St. John's, Nfld. was an external communication circuit.

2. Newfoundland, of course, is now a Province of Canada but the Bill has not been amended because the equipment used for the western end of this circuit is integrated with that used in the external radio-communication circuits at Drummondville and Yamachiche covered by this Bill. It may also become expedient to acquire the eastern end of this circuit but in any case we think it desirable to have authority to take over this equipment and to operate between Montreal, P.Q. and St. John's Nfld., is so desired.

3. This is the only reason for including in section 6 (b) of the Bill the words 'between Newfoundland and any other part of Canada' and there is no desire or intention of opening up any other circuits or of extending the one in question.

Mr. NOSEWORTHY: Paragraph (c) deals with the use and developments in cable and radio transmission and we have learned that the Canadian National telegraph do not come into the picture. Does the C.B.C. come into the picture?

Hon. Mr. CHEVRIER: No.

Mr. HATFIELD: I understand that code messages will not have any discount after the 1st of July, 1950. Do they now have fifty per cent discount?

The WITNESS: Forty per cent.

Mr. HATFIELD: I understand they only have a saving in words. They will pay the regular rate after July, 1950?

The WITNESS: They will pay the regular rate after the 1st of July 1950.

Mr. HATFIELD: But they can send in code?

The WITNESS: Oh, yes.

Mr. CANNON: From the Madeleine Islands we have a radio telephone to the mainland which is operated by the Canadian Marconi Company. Am I correct in saying all this legislation is only for communications between Canada and outside countries, and as far as the Madeleine Islands are concerned they will not be affected?

The WITNESS: That is right.

Mr. HATFIELD: What about cables to South America?

The WITNESS: There is really no question about cables to South America. Cable and Wireless have circuits to South America and they will be included in common user costs. The cost of the maintenance and operation of the entire common user system will be borne by all commonwealths based on the proportion of revenue on originating traffic; if the revenue on our originating traffic is \$1,000,000, and the United Kingdom's is \$20,000,000, and South Africa \$5,000,000, the costs will be proportioned in that percentage. 1, 20, 5.

Hon. Mr. CHEVRIER: If we want to send a message to South America how is it circuited?

The WITNESS: It will be routed through London.

Mr. HATFIELD: Will there be any increase of rates between now and the first of January when you have to notify the commonwealth Board?

The WITNESS: In so far as the collection rates in Canada are concerned there will be no change at all.

Mr. HATFIELD: After that you will have a twenty-five per cent reduction?

The WITNESS: I wouldn't say that so far as Canada is concerned that the reduction will be twenty-five per cent of the existing collection rate. You must remember this is an international matter. The collection rate in Canada is much lower than the collection rate in foreign countries on traffic in the reverse direction. On a message from here destined to France we pay twenty-two cents per word, and the man who replies in Paris pays thirty-seven cents per word.

Mr. MURRAY: Will the rates on Pacific business remain the same?

The WITNESS: There, again, Mr. Chairman, we have been trying to equalize these rates and as far as the commonwealth is concerned there is very little difference. You pay eighteen cents a word if you file a message in Ottawa going to London, England, and if you file it in Vancouver you pay twenty cents.

Mr. MURRAY: I am thinking of a message originating in Singapore destined for Vancouver.

The WITNESS: That will be thirty cents a word to Vancouver or to Ottawa, there is a maximum.

Mr. MURRAY: But if it goes around via London?

The WITNESS: It does not matter what Commonwealth circuit it goes over, it will still be thirty cents.

The CHAIRMAN: Shall clause 6 carry?

Carried.

Shall Clause 7 carry?

Carried.

Shall clause 8 carry?

Hon. Mr. CHEVRIER: It is a United Kingdom responsibility. The bill provides for the taking over of the external communication facilities in our own country, exclusive of the cablehead. Cable and Wireless will maintain and operate the cable on the Pacific.

Mr. CARROLL: Does the Crown company have any control over the rates on messages leaving Canada?

The WITNESS: Yes, we still have control over the rates; every country has control over its rates. The Telecommunications Board has that function. It will recommend rates which it considers to be in the best interests of the Commonwealth. It has been my experience that they have never yet asked any country in the Commonwealth to do anything that it did not want to do but I would say that our rates are certainly in our own hands. They have to consider whether any rates prescribed would be detrimental to the system at large.

Mr. HATFIELD: Will the Canadian Marconi Company maintain the same rates as the Board maintains overseas? A person in Newfoundland wishes to send a message—must it go via Montreal and pay a higher rate?

The WITNESS: If you want to send a message between here and Newfoundland it will go direct on land line circuits. It will be considered as a domestic message.

Mr. HATFIELD: I am talking about sending a message from Newfoundland overseas?

The WITNESS: There will be no change.

Mr. HATFIELD: The Marconi rates will be the same as your rates?

The CHAIRMAN: Does clause 8 carry?

Carried.

Shall clause 9 carry?

Mr. GIBSON: With respect to clause 9 I wonder if we could have an assurance from the government that the superannuation changes will be optional. I understand there are three or four plans in effect as far as Cable and Wireless are concerned. I understand also that there are certain repatriation obligations and I wonder if those obligations will be taken over by this board.

Mr. CHEVRIER: My understanding is that there are several pension funds in existence. It is the intention of the Crown Corporation to co-ordinate them so that no disadvantage will be suffered by the employees and, on the contrary, the employees should be in a better position. I am not able to say that they will be in a better position but you can rest assured that the pension fund will be co-ordinated so that there will be no disadvantage to the employees.

Mr. GIBSON: You can safely say that their pensions and salaries will be no worse.

Hon. Mr. CHEVRIER: They will be no worse.

Mr. HATFIELD: The staff will not be under the Civil Service Commission?

Hon. Mr. CHEVRIER: No.

The CHAIRMAN: Shall clause 9 carry?

Carried.

Clause 10.

Mr. CARTER: The Minister said that the effect of this bill would be to put the Canadian Marconi Company out of business in so far as telecommunications are concerned.

Mr. CHEVRIER: That is right.

Mr. CARTER: If any of you can visualize my riding on the map you will see that it is quite extensive. Prior to Confederation the commission government made arrangements with the Canadian Marconi Company whereby a number of units were installed at various points along that riding to link up with and improve the existing communications. It is a very isolated district and we cannot build land lines. It would be much more satisfactory to have telephonic communication but I am wondering now whether, as we had hoped before, these stations might be hooked up? The stations have been tested and found satisfactory. When Confederation came about someone had the bright idea that it would be a federal department matter and as far as I know the stations have not been hooked up. If this bill puts the Canadian Marconi Company out of business I wonder if some other arrangement will be made to have some branch of the Department of Transport take care of that situation?

Hon. Mr. CHEVRIER: When I stated that the company would go out of business I was dealing exclusively with external telecommunications. This bill does not envisage domestic service or service within Canada or within a province of Canada. I am not familiar with the service Marconi operates in Newfoundland but I understand there is a representative of the company here and perhaps he would be good enough to enlighten us on the question that has been asked.

The CHAIRMAN: Does that meet with the wishes of the committee?

Agreed.

Mr. S. M. FINLAYSON: I am the general manager of the Canadian Marconi Company and I have with me Mr. Fergus, our secretary and treasurer, and Mr. Bowie, our traffic manager. I think the question relates to the general telecommunication stations which are operated on the coasts of Newfoundland and Labrador. Those stations, like similar stations in Canada were operated by us, in the old days on behalf of the Commission Government. As far as I am aware it is a matter quite apart from the bill. We will continue to maintain and operate those services at full efficiency, at the pleasure of the government.

Mr. CARTER: That is the point I was wondering about. I wanted to know if the company would continue to operate that service or whether their operations would be curtailed by this bill.

Mr. SHAW: Section 10 of the bill refers to the acquisition of property. The Minister indicated, and it was confirmed in the brief, that \$4,000,000 has been set by the government as a proper value of the property. I understand the matter will become the subject of a reference to the Exchequer Court but have we any reason to believe that the Canadian Marconi Company will accept the \$4,000,000 figure?

The WITNESS: Well, Mr. Chairman, I do not think we can answer that question either yes or no. The negotiations have not even been started so I have no knowledge as to whether it will be accepted. We hope that we can acquire the assets for that amount or less.

Mr. SHAW: It is safe for us to assume that the government will start with that figure? They will use that as a jumping off point?

Hon. Mr. CHEVRIER: The government will start with a much smaller figure I hope.

Mr. HATFIELD: That would be no good now.

Mr. SHAW: How was that figure arrived at?

Hon. Mr. CHEVRIER: That is a \$64 question. If the committee insists I will give what information I have but I would prefer not to because there are people in this committee room with whom we will have to deal. I do not think that we should put our cards on the table before we know what is in the minds of the other side.

The CHAIRMAN: I think we can pass on.

Mr. CANNON: I am reading from the bill, clause 10—"For the purpose of this Act and with the approval of the Governor in Council, the Corporation may, by notice published in the *Canada Gazette*, take or acquire any real or personal property of Canadian Marconi Company or of Cable and Wireless Limited and—"

I would like to get clear in my own mind whether we are acquiring all the property of the Canadian Marconi Company or only that part of it which deals with overseas communications?

Hon. Mr. CHEVRIER: The question is answered right in the bill.

Mr. CANNON: Oh, I see; so the Canadian Marconi Company will continue to exist.

Mr. SHAW: I might suggest to the government that it is better business to start at a lower figure, especially when it is admitted that this is a higher figure than they anticipate paying.

Hon. Mr. CHEVRIER: We are not admitting that we will pay that much but we had to put some figure in the bill otherwise we cannot get it through parliament.

The CHAIRMAN: Shall clause 10 carry?

Carried.

Clause 11.

Carried.

Clause 12.

Carried.

Clause 13.

Carried.

Clause 14.

Carried.

Clause 15.

Mr. GREEN: This clause deals with loans to the Corporation. Can you give us any idea of what amount will be required by way of loans?

Hon. Mr. CHEVRIER: I have already stated that \$500,000 will be required for working capital and that is contained in the figure mentioned in the brief prepared by Mr. Connelly and circulated by him. The aggregate maximum loan which can be made is \$100,000 and it will be made in the same manner as loans are made by Finance to certain Crown companies. The Crown company gives a certificate of indebtedness and repays the loan if it can; but it is a loan for a capital expenditure or replacement.

The CHAIRMAN: Shall clause 15 carry?

Carried.

Clause 16.

Carried.

Clause 17.

Carried.

Clause 18.

Carried.

Clause 19.

Mr. FOLLWELL: Is this expected to be a losing proposition for the government of Canada.

Hon. Mr. CHEVRIER: That is a difficult question to answer. The statement has already been made that this part of Canadian Marconi's business, which we are taking over, made a profit of \$100,000 in 1948. I am hopeful that the same efficient management, if not better, will be continued by the Crown company.

The CHAIRMAN: Shall clause 19 carry?

Carried.

Clause 20.

Mr. GIBSON: I see that the wording is permissive. The Corporation "may pay taxes". In Bamfield in my riding, half of the revenue comes from taxes paid by Cable and Wireless and I am wondering if I can have an undertaking from the Minister in that regard?

Hon. Mr. CHEVRIER: I wish I could give my friend an undertaking but all I can say is that the Minister of Finance has already indicated in a statement made by him that it is the intention of the government to revise the whole matter of its taxation policy. I cannot anticipate what the statement of the Minister will be but, as members of parliament know, the Crown is not taxable; the Crown is exempt from taxation for municipal purposes. It has, however, been felt by many municipalities, and even by members of the government, that to continue that policy forever would be unfair. What is being considered at the moment is the matter of payment in lieu of taxation, just as the Canadian National Railway in Halifax, Saint John, Moncton, certain parts of Ontario and other parts of Canada, has made payments, not for the property which they own *quâ* Canadian National Railway but for property which they operate *quâ* government. I refer there to the Transcontinental and to the Intercolonial which are owned by the Crown and which are tax exempt but the Canadian National Railway pays to those municipalities, by virtue of long term agreements, certain amounts in lieu of taxation. It is impossible to answer my honourable friend's question definitely because I would be anticipating a statement of my colleague. The word "may" was not placed in that clause 20 in order to amend the bill after any statement to be made by the Minister of Finance but in order to carry out the policy which he may bring down.

Mr. GIBSON: Does not the Polymer Crown Corporation pay school taxes on their property in Sarnia?

Hon. Mr. CHEVRIER: I understand it does.

Mr. MURPHY: With respect to Polymer I understand they have been making a yearly grant. It is not paid in the way of taxation but it is an amount of \$5,000 a year.

While I am on my feet I would ask this: I just did not get the full explanation of the Minister respecting the word "may". Does that mean there is to be a literal interpretation of the word here?

Hon. Mr. CHEVRIER: I understand that "may" means "shall" in legal interpretation, but in this particular instance it does not mean "shall"; it means "may".

Mr. MURRAY: Regarding this matter of taxation it may be interesting to the committee to know that on the property at Bamfield, the British Columbia government levied taxation at less than \$100 a year for many years, although millions of dollars were involved in the cable operations. It was taxed as wild land and for a number of years the rate was something about \$50.

Mr. GIBSON: It is very obvious that in a place like that where a company or the government brings in a lot of employees, that we cannot expect the local residents—the fishermen and so on—to pay for the education of children of company or government servants. I am quite sure, however, that this Minister of Transport is a more generous type.

Mr. CARROLL: May I follow up the suggestion of the Minister and say that I think "may" here does mean "shall" and it is simply saying where the taxes shall be paid, to whom, and to what authority.

Mr. GIBSON: I concur.

Hon. Mr. CHEVRIER: I would not disagree with a learned former justice of the court.

Mr. MURPHY: In connection with this same paragraph relative to taxes paid by Crown Companies, I think the Minister said a while ago the C.N.R. paid taxes in certain areas like Halifax. Does that include taxes for school purposes?

The reason I asked that is—and I may be wrong—that I understand on rights of way there is some stated amount paid but the school taxes are not affected.

Hon. Mr. CHEVRIER: That is a very difficult question which you ask. I will try to answer it to the best of my ability. I do not think any of these payments are earmarked for any particular local object such as schools, sewers or anything else. I think payment is made to the municipality by virtue of an agreement over a period of three or four or five years. That is the procedure with the Canadian National Railways; but to say that they are earmarked for any one purpose I think would be a mistake. They are paid in to the municipality and the municipality uses them, I understand, and divides them up according to the mill rate for schools, local improvements and so forth.

The CHAIRMAN: Shall clause 20 carry?

Carried.

Mr. MURPHY: What I was going to suggest is that the government accept the assessment of the local assessment board the same as is the case with other interests in the locality. Could the minister tell me whether that will be done?

Hon. Mr. CHEVRIER: I am not able to answer that, but I am able to say that I do not think that it would be fair for the Canadian National Railways, for instance, to accept the assessment of the local assessor; nor do I think it would be fair for the intercolonial or the transcontinental railways to accept the assessment of local assessors because there are a number of services rendered by

the railways to the municipalities. I am thinking now of municipality X in a certain province; the Canadian National Railways pay a substantial amount for sewers and it pays a substantial amount for water, and if they were required over and above that to meet the assessments of the local assessor I think they would be being asked to pay far too much. They should pay an amount which is reasonable, but how to arrive at that amount I do not know; and I would not like to say how it is going to be proceeded with here. I think a good deal will depend on an announcement which will be made by the Minister of Finance.

Mr. HATFIELD: But you are taking over a company here which is already paying municipal taxes. It is a different matter altogether.

Mr. ROONEY: Yes.

Mr. HATFIELD: The Canadian National is a different matter.

Hon. Mr. CHEVRIER: And when I was dealing with this question in the House, Mr. Murphy, I said that it was the intention that this company would pay taxes. I do not know how the corporation are going to proceed. Now, you say that Canadian Marconi were paying taxes. Yes. But now the crown owns certain portions of the company and it is no longer liable to taxation, so that we may proceed in the same manner that the Marconi Company did. I do not know. I can say this—

Mr. MURPHY: Someone made a statement here when we started this that they would.

Hon. Mr. CHEVRIER: —I can only say what I said in the House explaining what our intention is.

Mr. MURPHY: I mean when we started the sessions of this committee.

Hon. Mr. CHEVRIER: I did not say that.

Mr. GREEN: Would not that be the fairest way to deal with the taxation question where you have a Crown company taking over the assets of companies which have been paying taxes on their physical properties, just as other corporations have been paying taxes? It seems to me that the fairest way would be for the Crown company to carry on paying taxes which are levied on similar properties, because if you follow the other course and enter into agreements with each municipality then there is bound to be different treatment to different municipalities. I think it would be much simpler to pay the regular taxes that will be levied as if this company were a private company.

Hon. Mr. CHEVRIER: That would appear to be reasonable.

Mr. MURPHY: You have two different categories to deal with; take in the one case the buildings, the physical assets, located say in Halifax or other areas. I would think that where you have a building, let us say, the Crown company would have a precedent to go by. I make that statement because this system is taking over a private company; I may be wrong, but I understand they have to pay in that area the same taxes as other industries pay. That being the established practice I think it should be continued.

The CHAIRMAN: Shall clause 21 carry?

Carried.

Clause 22?

Carried.

Clause 23?

Carried.

Clause 24?

Carried.

Clause 25?

Carried.

Clause 26?

Carried.

Shall the title carry?

Carried.

Shall I report the bill?

Carried.

Mr. McIVOR: Mr. Chairman, I would like to express the appreciation of the committee for the efficient and direct answers which officials of the department have given to us this morning.

Some Hon. MEMBER: Hear, hear.

The CHAIRMAN: There is no further business before the committee so a motion to adjourn is in order.

The committee adjourned to meet again at the call of the Chair.

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Canada. Railways, Canals and Telegraph
Lines, Standing Committee on 1949

(SESSION 1949
SECOND SESSION
HOUSE OF COMMONS

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES)

MINUTES OF PROCEEDINGS AND EVIDENCE

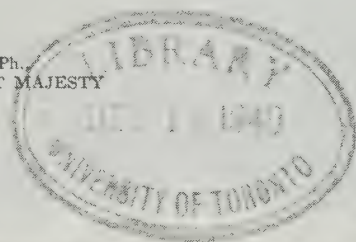
BILL NO. 145, AN ACT RESPECTING THE ACQUISITION
OF THE TEMISCOUATA RAILWAY

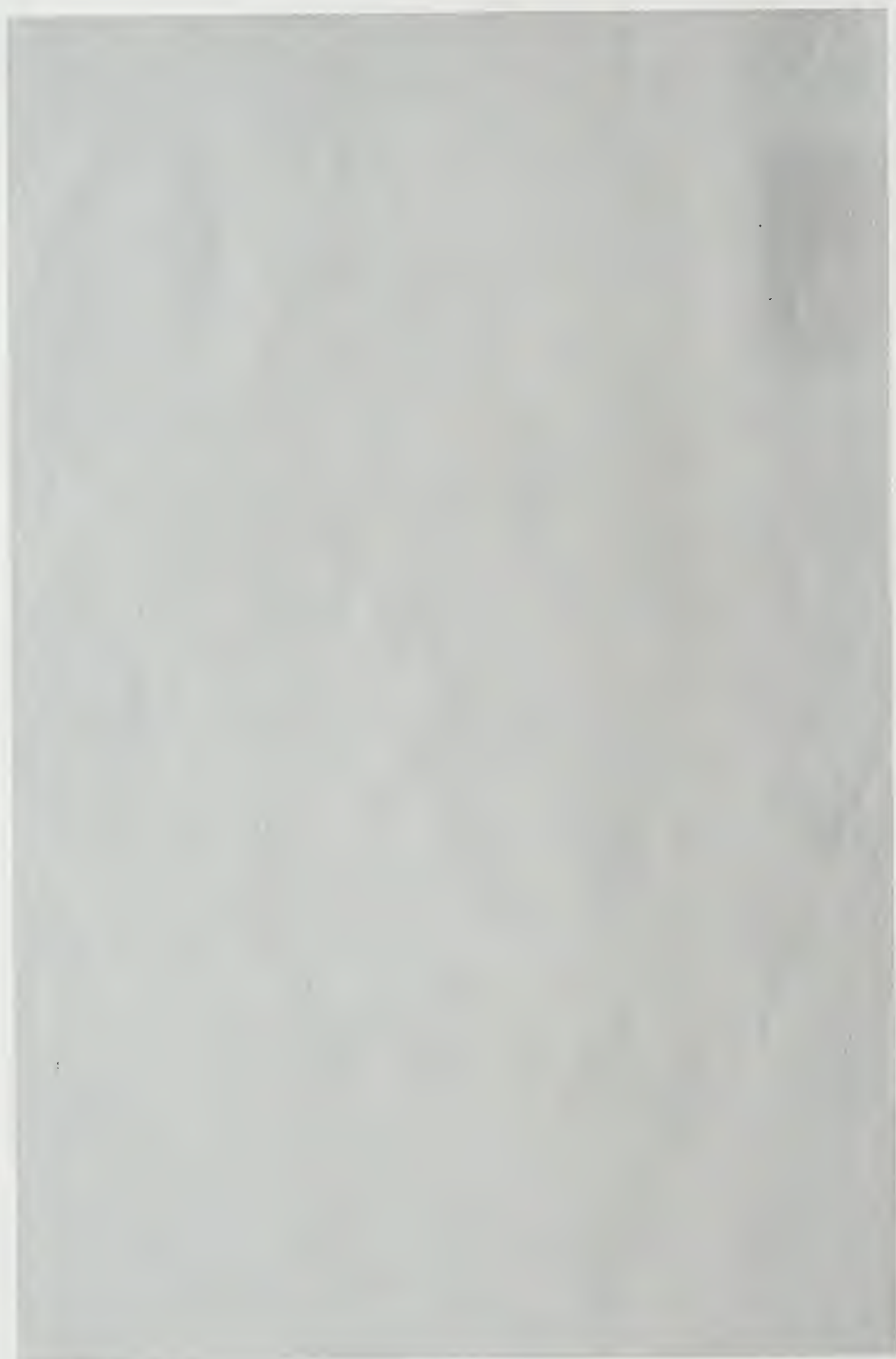
THURSDAY, DECEMBER 1, 1949

WITNESSES:

Mr. S. W. Fairweathr, Vice-President, Canadian National Railways.
Mr. A. B. Rosevear, K.C., Assistant-General Solicitor, Canadian National
Railways.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.
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1949





ORDER OF REFERENCE

THURSDAY, 25th November, 1949

Ordered,—That the following Bill be referred to the said Committee, viz,—
Bill No. 145, an Act respecting the Acquisition of the Temiscouata Railway.

Attest

LÉON J. RAYMOND
Clerk of the House.

REPORT TO THE HOUSE OF COMMONS

FRIDAY, December 2, 1949

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as a

FOURTH REPORT

Your Committee has considered Bill No. 145, an Act respecting the Aquisition of the Temiscouata Railway, and has agreed to report it without amendment.

A copy of the relevant minutes of proceedings and evidence of the Committee is appended.

All of which is respectfully submitted.

L. O. BREITHAUP, *Chairman.*

MINUTES OF PROCEEDINGS

THURSDAY, December 1, 1949

The Standing Committee on Railways, Canals and Telegraph Lines met at 4.15 o'clock p.m. The Chairman, Mr. L. O. Breithaupt, presided.

Members present: Messrs. Adamson, Beyerstein, Bonnier, Bourget, Breithaupt, Carter, Chevrier, Darroch, Dewar, Douglas, Follwell, Goode, Gour (Chapleau), Green, Harrison, Hatfield, Herridge, James, Jutras, Lafontaine, Macdonald (Edmonton East), McCulloch, Pouliot, Robinson, Rooney, Stuart (Charlotte), Thomas, Whiteside, Whitman.

In attendance: Messrs. S. W. Fairweather, Vice-President, G. B. Rosevear, K.C., Assistant General Solicitor, and G. H. Patterson, Department of Research and Development, of the Canadian National Railways, Montreal, P.Q., and Messrs. J.-C. Lessard, Deputy Minister; W. J. Matthews, General Counsel; F. T. Collins, Administrative Assistant, and W. A. Thornton, Acting Assistant Comptroller, of the Department of Transport, Ottawa, Ontario.

The Committee considered Bill No. 145, An Act respecting the Acquisition of the Temiscouata Railway.

The Minister of Transport, Honourable Lionel Chevrier, was present as sponsor of the Bill.

Mr. S. W. Fairweather was called. He made a statement and was questioned thereon. Mr. G. B. Rosevear assisted the witness in answering questions.

Clauses 1 and 2, the Schedule and the Title carried.

The witnesses were retired.

Ordered,—That the Bill be reported without amendment. On motion of Mr. Bourget.

Resolved,—That 500 copies in English and 250 copies in French of to-day's minutes of proceedings and evidence be printed.

On motion of Mr. Stuart (Charlotte), the Committee adjourned at 4.45 o'clock p.m., to meet again at the call of the Chair.

J. G. DUBROY,
Clerk of the Committee.



MINUTES OF EVIDENCE

HOUSE OF COMMONS,

December 1, 1949.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 4.15 p.m.

The CHAIRMAN: Gentlemen, if you will come to order we shall proceed with the consideration of Bill 145, An Act respecting the Acquisition of the Temiscouata railway.

We have with us today Mr. S. W. Fairweather, vice-president of the research and development department of the C.N.R. and Mr. Rosevear, K.C., solicitor for the C.N.R.

Is it your wish that we hear Mr. Fairweather on the general principles involved in the taking over of this railway and the passing of this bill? If it is agreeable I shall call on Mr. Fairweather to give us an exposition on the points involved.

Mr. FAIRWEATHER: Mr. Chairman, it was my understanding really that the representatives of the Canadian National Railways were here to answer questions regarding the negotiations for the acquisition by the government of the Temiscouata railway—questions relating to the condition of the property, the methods of operation and things of that description. The situation is simply that, upon receipt of advice from the minister that the decision had been reached to acquire this property, and that it was desired that the C.N.R. should act as agent to acquire the property, we entered into negotiations with the bondholders and succeeded in obtaining an acceptance of an offer, which offer is incorporated in the bill.

I can say that in my opinion the price is a reasonable one in that it really represents the liquidating value of the property. If you take the scrap value of the property and the realizable assets they amount to the price being paid. I do not know that there is any more in a general way that I can say.

The CHAIRMAN: Are we ready to consider the bill, or do you wish to hear from Mr. Rosevear?

Mr. GREEN: Let us hear him?

Hon. Mr. CHEVRIER: I do not know that Mr. Rosevear can add a great deal. He is the solicitor, and from the legal standpoint I suppose he can tell us the position in so far as the agreement is concerned. The question of economy is handled by Mr. Fairweather.

Mr. GREEN: Could Mr. Fairweather say something about the plans of the C.N.R. with regard to the Temiscouata railway?

Hon. Mr. CHEVRIER: I suppose he could but I put on record, as you know, what the intention of the Canadian National Railway was—namely that it should spend somewhere in the neighbourhood of \$1,100,000 to put these lines in shape. If there is some clarification desired on that matter perhaps Mr. Fairweather might say something.

Mr. FAIRWEATHER: All I can say is that this property, when it is turned over to the Canadian National Railways will be administered as prudently as possible. The property is undoubtedly run down and to raise it to what we call branch line standards would require in the foreseeable future somewhat more

than \$1,000,000 expenditure. That money will be spent partly to improve the road bed—the ballast is pretty well gone; partly to rehabilitate ties that have gone beyond their usefulness; and partly to improve rails and bridges. The bridges on the line were built for very light power and they will have to be reconstructed to stand, not our heaviest power, but at least power that would be suitable for a line of that description. The present locomotives have a tractive effort of 20,000 pounds and we would want to operate locomotives having a tractive effort of about 35,000 pounds. That would mean that we would have to strengthen the bridges. As far as service is concerned we will give what service the traffic would justify and which convenience and necessity would justify.

The CHAIRMAN: Even if you were to dieselize you would have to have heavier bridges?

Mr. FAIRWEATHER: Yes, actually with respect to the bridges, dieselization would be more difficult. Diesel engines weigh more for the same tractive effort.

Mr. HATFIELD: I would ask if any money is going to be spent to straighten the line. I understand it is the crookedest road in the world.

Mr. FAIRWEATHER: No, sir. We have no plans for straightening the line; the money to be spent is for improvement of the existing road bed and so on.

Mr. GREEN: Mr. Fairweather mentioned administering the line. Is there any way in which you can keep the accounts of this line separate from those of your system? The reason I ask that question is that, if there should be losses on this railway, it would seem unfair to have the Canadian National Railways showing that much additional loss. I wonder whether there is any way whereby you could administer it so that losses on this line would not show on your system?

Mr. FAIRWEATHER: The answer to that is that it could be done with a degree of approximation and at some expense. There will always have to be an approximation because the cost of overhead administration will have to be distributed. The cost of purchasing coal, for instance, could not be put down to the last cent. Coal purchasing would still have to be done through our organization. The accounting you mention could be done but it would add complexity to the accounts and it would cost some money to do it. As I say, it could be done if it were decided to do that sort of thing.

Hon. Mr. CHEVRIER: Once you take over a line and incorporate it in the C.N.R. it becomes rather difficult to keep separate accounts?

Mr. FAIRWEATHER: Decidedly, Mr. Minister. It is difficult and it involves what we call pro-rating. You have more or less to exercise your judgment and say how much of the common expense should be assessed against this company. It is a difficult thing to do and it also costs money.

Mr. GREEN: How much would it cost?

Mr. FAIRWEATHER: I would be really guessing on a thing like that but on a property of this size it would be quite a bit. You would have to maintain your pro-rating on all traffic; that would mean you would have to pro-rate every waybill if you wanted to figure it with any degree of accuracy. It would be considerable, but I would not want to name a figure.

Mr. HATFIELD: Are there any plans by the Canadian National Railways to extend this road from Connors over to the road running from Montreal to New London, to take care of freight originating in the maritime provinces and which is going to the United States? Now you turn the freight over at St. Leonard.

Mr. FAIRWEATHER: I am not quite sure that I understand your question.

Mr. HATFIELD: Has the C.N.R. any plans to extend this road from Connors into the United States and across to connect with the road running from Montreal or Richmond to New London, to take care of freight originating in the maritime provinces? Now the maritime provinces pay about 20 per cent more on freight going to the United States than is the case with the freight on the C.P.R. going from New Brunswick to the United States.

Mr. FAIRWEATHER: I know of no such plans.

Mr. HATFIELD: Have you not got any plans for the road?

Mr. FAIRWEATHER: I know of no such plans, but I would point out actually that the National Transcontinental Railway makes a connection with this branch at Edmundston.

Mr. HATFIELD: I know that.

Mr. FAIRWEATHER: There is also a road over from Montreal which is just as short.

Mr. HATFIELD: Not to the southern United States?

Mr. FAIRWEATHER: Yes, just as short, I can say.

Mr. HATFIELD: Why do you not turn the freight over to the Transcontinental at Edmundston?

Mr. FAIRWEATHER: A good deal of freight is turned over there.

Mr. HATFIELD: Why do you turn any over at St. Leonard?

Mr. FAIRWEATHER: The shipper decides the route. The gateway is open and the shipper decides which way to ship. I will tell you this. We do secure a long haul on every pound of freight that we can, and we secure quite a little bit.

Mr. HATFIELD: Why do the shippers in Prince Edward Island have to pay 10 and 20 per cent more on goods going to the southern part of the United States—not the western part—than shippers in New Brunswick do on the C.P.R.?

The CHAIRMAN: Strictly speaking I do not think that is a fair question to ask Mr. Fairweather. He has nothing to do with rates.

Mr. HATFIELD: They have plans of a road across there.

The CHAIRMAN: Perhaps we could see the country where this road runs. It might be some help to the members.

Mr. FAIRWEATHER: This road runs from Riviere du Loup to Edmundston, across the end of the Appalachian mountains. It connects at Edmundston and also at Riviere du Loup with the Canadian National Railways. There is a branch which runs from Edmundston up to Connors. A portion of it from Edmundston to Baker Brook was abandoned and running rights are granted to the Temiscouata over the N.T.R. from Baker Brook to Connors. The portion of the line now extends from Edmundston to Riviere du Loup and from Baker Brook to Connors. At Edmundston it joins the Transcontinental—this red line running down here into Quebec. Then it joins the old I.C.R. running from St. Hyacinthe to Montreal. To points in the United States traffic would flow down the Central Vermont Railway here to reach points in the United States. That would be the preferred ratings which exist.

As I said, and as you can see, this road is already as short as feasible. It runs down to the United States and these are alternate routes.

Mr. HATFIELD: Was there any subsidy received from the provincial governments of Quebec and New Brunswick when this line was built?

Mr. FAIRWEATHER: I believe there is a history of those subsidies; subsidies were received by this line.

Mr. HATFIELD: What were they? Did they receive land subsidies or cash subsidies?

Mr. FAIRWEATHER: I believe they received subsidies partly in land and partly in cash.

Mr. HATFIELD: Most of it must have been land; that is why the road is so crooked.

Mr. FAIRWEATHER: It was a very long time ago and the property as it stands now consists only of the railway.

Mr. HATFIELD: Yes, but do they have any obligations to the provincial governments?

Mr. FAIRWEATHER: Mr. Rosevear advises me that there are no obligations that he knows of.

Mr. HATFIELD: What has become of the land that was given by the provincial governments in subsidies? Has that been sold?

Mr. FAIRWEATHER: I believe there is a record of its sale.

Mr. FOLLWELL: I understood Mr. Fairweather to say that the Canadian National Railways proposes to build this railway line—the track and the bridges—up to sufficient strength to run heavy power, and that they would run heavy power over it.

Mr. FAIRWEATHER: I did not say quite that. I said that we would strengthen the bridges to run heavier power than the bridges can now stand. I doubt whether we would construct bridges to bear the heaviest power. I doubt whether we would consider that line suitable for the movement of the heaviest power. I expressed the thought that the present bridges could stand a tractive effort of 20,000 pounds and that we would probably strengthen them to the point where a locomotive of a tractive power of 35,000 pounds could move. To get the perspective, our heaviest power is a locomotive with a tractive effort of 65,000 pounds. My mentioning the tractive effort of 35,000 pounds gives you the sort of target that we would shoot at.

Mr. FOLLWELL: You would not run the 65,000 pound effort over them?

Mr. FAIRWEATHER: No, no. We would run our consolidation type of locomotive or say a 1,000 horsepower locomotive.

Mr. GREEN: What is the position with regard to highway competition for the railway?

Mr. FAIRWEATHER: It was highway competition that brought this railway to its knees. This railway never earned any substantial money on its funded debt and it went bankrupt to that extent, but it was managing to get by and to earn a little until highway competition became acute. The effect of highway competition was simply that it took all of the high value traffic away and left only the low grade hauls—pulpwood, cordwood, slabs, lumber, and a little inbound coal. All of the high value commodities and all of the passenger traffic moved over the highway. That is why the road got into such financial difficulty in the '30's and measures had to be taken to keep it alive.

Mr. GREEN: Is that position worse today or better?

Mr. FAIRWEATHER: It is much worse; they only had a gravel road in there before but now the provinces have completed or are just about to complete a hard surfaced road. The situation has gotten to a point where there is now no passenger train service at all, except by mixed train. There is almost no high class L.C.I. traffic moving at all. The traffic that comes off the line is almost exclusively carload traffic of low value commodities like posts, lumber, slabs and pulpwood.

The CHAIRMAN: Are you ready for clause 1?

Mr. GREEN: May I ask about the agreement itself? Apparently the purchase is from the bondholders and I wonder whether one of the officers could tell us about the share structure? What is happening to the ordinary shares?

Hon. Mr. CHEVRIER: I think Mr. Rosevear could deal with that but, in the agreement, if you have read it, you will see that it has been pretty well covered. One of the old acts stated that, provided a majority of shareholders or bondholders at a duly authorized meeting approved of the sale, it would be legal to sell it to the government. That is contained in several of the "whereas" clauses in the bill.

Mr. GREEN: Have all the bondholders agreed to this sale or just the majority?

Hon. Mr. CHEVRIER: I think that all but one have done so.

Mr. ROSEVEAR: Mr. Chairman and gentlemen:

The bondholders years ago formed a committee in London, England, and they incorporated this committee and they did that for the express reason of overcoming the difficulty of having bonds dispersed amongst a wide number of people. That committee now controls all the bonds of the Temiscouata railway except £100 of which they have not been able to find the owner. As far as that £100 is concerned the scrip certificate which represents the £100 will be deposited with the trustee for the bondholders and held there indefinitely along with such cash as is necessary to pay that person if he ever turns up. I can say as far as the bondholders are concerned that the committee in London has full power to deal with the securities and to sell the railway.

Mr. GREEN: What about the shareholders?

Mr. ROSEVEAR: The shareholders have not taken an interest in this property and have not appeared on the scene for over forty years. Away back in 1908 a circular was sent out by the bondholders committee in London dealing with the problems of the railway and there have been no transfers of shares on the books. There was only one share certificate ever issued and that was issued to some promoters in London who have not been in existence for at least twenty or thirty years. No one knows where they are. For over forty years the shareholders have never taken any interest whatsoever in this property.

Perhaps I might add that an advertisement was duly inserted in the *London Times* and in the *Canada Gazette*, in accordance with the act, advertising the general meeting, so that any person who did want to come to the meeting and take an interest in it had an opportunity at least to see the advertisement.

Mr. GREEN: Is this a general meeting of the bondholders?

Mr. ROSEVEAR: A general meeting of the bondholders and shareholders. That was the way the meeting was advertised. As I say, we know for a fact that this firm to which the share certificate was issued has not been in existence for over twenty years. We do not know where the people are who were once interested in it. As far as the rest of the shareholders are concerned they have all gone to their rewards and nobody knows anything about them.

Hon. Mr. CHEVRIER: May I ask a question? There is machinery provided in an old act for foreclosing the shareholders?

Mr. ROSEVEAR: Yes. I might say that in 1904 the Temiscouata bondholders came to parliament and got an act which gave them the power to sell the railway to the Crown and a certain procedure was to be gone through to do it. The act says "a special general meeting of the shareholders and bondholders". Now a legal opinion has been given that the special general meeting was perfectly legal even though you did not get any shareholders at it because the act says "a meeting of the shareholders and bondholders" but, in order to make doubly sure and take proper precautions, we are having this agreement ratified by parliament—at least we are requesting parliament to ratify it.

Mr. GREEN: What protection is there against some of these people turning up in a year or five years?

Mr. ROSEVEAR: The only answer I can give is that the solicitors for the Temiscouata railway have given the opinion that if this act is passed in its present form no such claims can exist.

Mr. GREEN: Is that also the opinion of the solicitors for the C.N.R.?

Mr. ROSEVEAR: That is right.

Mr. ADAMSON: I notice that in the act you have agreed to pay the bondholders at the current rate—that is at the current devalued rate?

Mr. ROSEVEAR: No, we have agreed to pay the bondholders in Canadian dollars at the current rate of exchange. In other words what they would get is \$480,000. They can turn that into the number of pounds that they can buy with that number of dollars.

Mr. ADAMSON: Well it says somewhere in the act that it is as of a certain date, which is before devaluation?

The CHAIRMAN: That is in clause 2.

Mr. ADAMSON: I would just ask the question whether the bondholders are going to get \$2.80 for their pound or \$4.03 for their pound. They are apparently going to get \$4.03.

Mr. ROSEVEAR: Yes.

Mr. GREEN: How much of the \$480,000 is for goodwill?

Mr. ROSEVEAR: None at all. The \$480,000 is made up of the value of the property—its scrap value, plus certain current assets which the company has in the form of some Dominion of Canada bonds, and some cash. As a matter of fact, as far as price is concerned, I think that a very good arrangement was made with the bondholders.

Mr. GREEN: What about provision for liabilities? Are there any outstanding liabilities?

Mr. ROSEVEAR: Perhaps I should explain, as soon as the bondholders in London accepted the offer which was made to them, they agreed and the company agreed—you must differentiate the company from the bondholders although the bondholders control the company—that a trustee would be appointed by the C.N.R. to step right into the picture. Since September the 1st of this year there has been a C.N.R. trustee down there who has watched the expenditures on the Temiscouata railway. Prior to September 1st we knew what the assets were and we knew what their securities were. Since that time our trustee will certify to us that only expenditures in operation of the property have been incurred. Does that answer the question?

Mr. GREEN: It is under paragraph 5 of the agreement.

The CHAIRMAN: Well we are a little ahead of ourselves. We could ask that question when we come to it.

Mr. ADAMSON: I wish to ask one more general question. This railway does not traverse any of the grounds upon which they are now prospecting for copper and oil? It is far too far to the west? Those resources are all in the Gaspé peninsula?

Mr. FAIRWEATHER: Yes.

Mr. ADAMSON: This is not over precambrian rock at all?

Mr. FAIRWEATHER: Actually there is a core of the ancient Appalachian complex and this railway runs right over the top of it. All I can say as to mineral possibilities is that nothing of any significance has been found in that area. I would not say that it will not be found but I say that nothing has been discovered and I know of no prospectors that are active in that area. The economic value of the territory so far as it can be sized up is in agriculture and forestry.

The CHAIRMAN: Are you ready for clause 1? Shall clause 1 carry?
Carried.

Clause 2?

Carried.

I believe Mr. Green has a question on the schedule.

Mr. GREEN: Under section 1 of the agreement are there any encumbrances except this bond issue?

Mr. ROSEVEAR: There are no other encumbrances. We have searched the record and have been unable to find any. The usual legal steps will be taken before the purchase price is paid to make sure that the title is clear. The bonds themselves will be surrendered to us, and in due course they will be destroyed. Actually we will get into our possession everything that the Temiscouata railway has.

Mr. HATFIELD: Will you tell us what percentage of freight was formerly turned over by the Temiscouata to the C.N.R. at Edmundston, and what percentage was turned over to the C.P.R.

Mr. FAIRWEATHER: Of course, we would not know precisely, but I believe it would be a fair statement to say that between a quarter and one third is turned over to the C.P.R. and from about two-thirds to three-quarters to the C.N.R.

Mr. HATFIELD: Most of the revenue is derived from shipments of lumber?

Mr. FAIRWEATHER: Most of the revenue is derived from forest products.

The CHAIRMAN: Any other questions on the schedule?

Mr. GREEN: Clause 5 of the agreement of sale:

The government shall assume the current liabilities of and the legal claims of third parties and employees against the Temiscouata at the date of ratification and confirmation of this agreement.

What is covered by that?

The CHAIRMAN: What page is that?

Mr. GREEN: It is at the bottom of page 4.

Mr. ROSEVEAR: "The government shall assume the current liabilities". Of course, that would be the current liabilities in operating the property such as fuel bills and all the current liabilities that exist at the date we take it over. Of course, by the same token we get all the cash and the bonds that the company has. "And shall pay the legal claims of third parties and employees". That would be in the event there are outstanding claims for freight or personal injury. I might explain in connection with that that we could not make a deal with the bondholders unless we could give them a firm price because they had to hold a meeting and had to tell their security holders what the security holders were going to receive, and therefore we had to cut the thing off at a certain date; so you can pay us all the money, your bonds and your assets, and we will pay the current liabilities and the claims of third parties; and then "employees", well, the bondholders were a little worried about employees having some right of action against the company. You notice the word "legal" is used; a claim that is not legal of course is not recognized.

Mr. GREEN: Do you know of any such liabilities or claims?

Mr. ROSEVEAR: Of course, as I say, our auditors have been in since the first of September and I think as of the 31st of August they made a report to us. Mr. Fairweather has that; perhaps he could answer that question.

Mr. FAIRWEATHER: Here are the current liabilities as shown on the certified balance sheet of August 31, 1949: for unpaid wages, \$9,363; for traffic accounts,

\$2,345; for sundry accounts, \$16,803; for interest accrued and unclaimed on consolidated mortgage income bonds, \$2,087; total, \$30,598.

Mr. GREEN: Were there any legal claims at all?

Mr. FAIRWEATHER: Well, that is the only place where you find a liability in this statement I have read out. The only other liabilities that are shown are the liabilities for share capital and for the consolidated mortgage income bonds which are here being purchased.

Hon. Mr. CHEVRIER: While you are on that would you mind putting on the record the current assets?

Mr. FAIRWEATHER: The current assets consist of the following: Cash in Canada, \$26,203; Cash in London, \$1,594; Outstanding traffic accounts, \$15,744; Outstanding sundry accounts, \$10,931; Materials and supplies, \$99,510. And then I think I should mention, Mr. Minister, that in addition there are \$100,000 in Dominion of Canada bonds held in Canada and another \$19,000 of bonds held in Canada and \$2,392 held in the treasury in London; and all these assets come to the government as the purchaser of the property.

Hon. Mr. CHEVRIER: So there is on the assets side something in the neighbourhood of \$275,000.

Mr. FAIRWEATHER: It adds up to about \$275,000.

Hon. Mr. CHEVRIER: As opposed to \$30,000 current liabilities.

Mr. FAIRWEATHER: Yes.

Mr. McCULLOCH: Is that money held in London in pounds sterling or dollars?

Mr. FAIRWEATHER: It is shown as £500 and then on the balance sheet it is shown as \$2,392. That is how the accountant took it into the books.

Mr. RILEY: I wonder if Mr. Fairweather would explain what provision has been made or contemplated with respect to the employees of the present Temiscouata railway.

Mr. FAIRWEATHER: When this property is entrusted to the Canadian National these men will become employees of the Canadian National Railways and as such they will have all the rights, privileges and obligations of employees of the Canadian National.

Mr. RILEY: Will their seniority as to the C.N.R. date back to the date when they first became employed on the railway?

Mr. FAIRWEATHER: That is a technical point but I can say this, that their seniority will certainly be respected in what is called homestead territory—that is in the territory where they have worked. They will have seniority dating back to their original date of employment. What seniority they might have on a district or region basis would be a matter for negotiation.

The CHAIRMAN: Shall the schedule carry?

Carried.

Shall the title carry?

Carried.

Shall I report the bill?

Carried.

There is one point we overlooked. The explanatory appendix is on page 7. I do not think we need to carry that especially. Now, how many copies of this

record shall be printed? I would suggest five hundred in English and two hundred and fifty in French unless anyone thinks otherwise. Would that be satisfactory?

Agreed to.

Mr. POULIOT: I thank you very much. You are rendering a public service; and to use the words of the railroad magazine "The Temiscouata serves proudly and well".

The CHAIRMAN: There is nothing before the chair, gentlemen.

The committee adjourned.

